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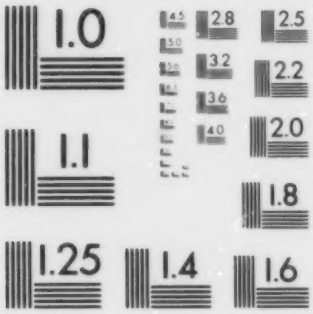

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NATIONAL MICROGRAPHICS ASSOCIATION

24x

Manitoba

REPORT OF THE PROVINCIAL AUDITOR to the Legislative Assembly for the fiscal year ended March 31, 1989

SUPPLEMENT

REPORT OF THE

PROVINCIAL AUDITOR

to the Legislative Assembly

for the fiscal year ended

March 31, 1989

SUPPLEMENT

90-06248/1

TABLE OF CONTENTS

	Page
INTRODUCTORY COMMENTS	1
SUMMARY OF CONCERNS AND RECOMMENDATIONS	2
PUBLIC ACCOUNTS - COMMENTS AND TRENDS	
General Comments on the Public Accounts	5
Annual Operating Deficit and Accumulated Deficit	6
Expenditure and Revenue	10
Combined Direct and Guaranteed Public Borrowings	16
Loans and Advances	21
Long-Term Investments	22
Valuation Allowance	22
Consolidated Fund Financial Statements - Reservation in our Attest Audit Opinion	23
Summary Financial Statements - Reservation in our Attest Audit Opinion	24
Classification of Trust Funds	24
Timely Completion of Public Accounts	26
Revenue and Expenditure Variance Explanations	27
Comparison of the Consolidated Fund's Operating Fund Financial Statements with the Summary Financial Statements	27
PUBLIC ACCOUNTS - ACCOUNTING POLICIES	
A. Employee Pension and Other Employee Benefit Liabilities	29
B. Government Reporting Entity	30
C. Fixed Assets	30
D. Gross Accounting	31
EXHIBITS	
1. Report of the Provincial Auditor on the Consolidated Fund Financial Statements	32
2. Consolidated Fund Financial Statements	33
3. Report of the Provincial Auditor on the Fiscal Stabilization Fund Financial Statements	59
4. Fiscal Stabilization Fund Financial Statements	60
5. Report of the Provincial Auditor on the Summary Financial Statements	63
6. Summary Financial Statements	64

INTRODUCTORY COMMENTS

The Government's Public Accounts for the year ended March 31, 1989 were completed subsequent to the release of our Report to the Legislative Assembly on December 22, 1989. Volumes 1 and 2 of the Public Accounts were released on January 26, 1990. Volume 3 was completed in April 1990. We are now issuing this Supplementary Report to the Legislative Assembly to include comments on the Public Accounts and highlight significant trends in the Government's financial operations.

We summarize what we consider to be the more significant concerns and recommendations regarding the Government's financial affairs in the section titled Summary of Concerns and Recommendations. Detailed comments and other information are presented in two sections, Public Accounts - Comments and Trends and Public Accounts - Accounting Policies. These sections include comments on the Consolidated Fund financial statements and Summary financial statements and analysis of the Consolidated Fund financial statements. We have included, as exhibits, the Consolidated Fund financial statements, the Fiscal Stabilization Fund financial statements, and the Summary financial statements, together with our attest audit opinions on each set of statements.

SUMMARY OF CONCERNS AND RECOMMENDATIONS

Public Accounts - Comments and Trends

Annual Operating Deficit and Accumulated Deficit (Page 6)

Over the past two years, the Government has been able to significantly reduce the annual operating deficit. We acknowledge these positive results. The accumulated deficit is, of course, a product of annual operating deficits. It requires attention. A further increase in the accumulated deficit is projected for 1990. Annual operating deficits and the accumulated deficit are the result of both operating and capital related expenditures. In order to reduce the accumulated deficit, annual surpluses are required. The reported accumulated deficit as at March 31, 1989 is $4,588 million. However, if the Government had not transferred $200 million of Operating Fund revenue to the Fiscal Stabilization Fund, the Government would have reported a $58 million surplus for the year and an accumulated deficit of $4,388 million. The reported accumulated deficit of $4,588 million represents approximately $4,235 per Manitoban. The accumulated deficit of $4,388 million represents $4,051 per Manitoban.

We recommend the Government continue to work to reduce its annual operating deficits and accumulated deficit.

Consolidated Fund Financial Statements - Reservation In Our Attest Audit Opinion (page 23)

The transfer of $200 million in revenue from the Operating Fund of the Consolidated Fund to the Fiscal Stabilization Fund results in the Operating Fund's financial statements being incomplete. As a result, we have reported a reservation in our attest audit opinion on the Consolidated Fund financial statements.

The Operating Fund should record and report all financial assets belonging to the Government and available for future operations. We recommend that the Government combine the Fiscal Stabilization Fund with the Operating Fund financial statements for reporting purposes. It should be noted that the Summary financial statements combine the Fiscal Stabilization Fund, together with certain other Crown entities, with the Operating Fund. But, this does not provide the information expected at the Operating Fund financial statement level.

Summary Financial Statements - Reservation In Our Attest Audit Opinion (Page 24)

The Government has adopted and is working towards full implementation of the recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Committee (PSAAC) pertaining to the Government reporting entity. The Government is taking a staged approach to its Summary Financial statements with full implementation of PSAAC's recommendations by the fiscal year ending March 31, 1991. For the year ended March 31, 1989, the Summary financial statements only include the operating results of some of the organizations for which the Government is responsible. We have reported a reservation in our attest audit opinion on the Government's Summary financial statements for the year ended March 31, 1989 because the statements do not provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is

responsible.

We recommend that the Government continue its efforts towards full implementation of these PSAAC recommendations so as to provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible.

Classification of Trust Funds (page 24)

Last year we recommended that lottery transactions processed through certain trust fund accounts be included in revenues and expenditures of the Consolidated Fund's Operating Fund for reporting in the Government's annual financial statements.

The Government classifies certain funds as trust funds in accordance with legislation establishing the funds. However, these funds are used to deliver Government programs and the Government has discretion as to how and when to use these funds. In our view, these funds do not meet the criteria of a trust fund because a fiduciary trust relationship does not exist. The funds that we consider to be of concern are listed in detail on page 25 of this Report.

We recommend these funds be combined with the Operating Fund of the Consolidated Fund for reporting purposes to more fairly present the operations of Government and to eliminate the fragmentation of operating results. We further recommend that consideration be given to amending the legislation establishing these funds as trust funds.

Officials advised that for the fiscal year ending March 31, 1991 all lottery funded programs will be included in departmental estimates. An equivalent amount of lottery proceeds will be transferred from Trust to Operating Fund revenue to cover the spending through the departmental appropriations. This is positive action. However, any lottery funds remaining in trust accounts at the year end should be combined with the Operating Fund for reporting purposes.

Public Accounts - Accounting Policies

Employee Pension and Other Employee Benefit Liabilities (page 29)

The Government does not record its annual cost or accumulated liabilities for pension and other benefit entitlements earned by civil servants, teachers and Members of the Legislative Assembly. The Government is not following the accrual basis of accounting in this regard. This results in the Province's deficit for the year being understated by the annual cost of these benefits (approximately $111 million) and the accumulated deficit being understated by the amount of the accumulated liabilities (approximately $990 million). Also, some Crown agencies record the annual costs and liabilities of employee entitlements earned while others do not. Certain of the Crown agencies are in the process of recording their pension liabilities. The unrecorded pension liabilities in the Manitoba public sector, being the combined unrecorded pension liabilities of Crown agencies and the Government, is estimated to be in excess of $1.3 billion.

SUMMARY OF CONCERNS AND RECOMMENDATIONS

To eliminate interperiod inequity and a fragmentation of operating results, we recommend that the Government adopt PSAAC's recommendations for accounting for employee pension and other benefits. We also recommend that the Government provide guidance to its Crown agencies so agency financial statements consistently reflect appropriate accounting policies for their employee pension and other benefits.

Fixed Assets (page 30)

We have previously reported that the current method of accounting for physical assets and its impact on operating results needs to be reviewed. The current method causes interperiod inequity and a fragmentation of operating results. It fails to recognize that many capital related expenditures made by Government result in assets which are available to provide future services to Manitobans and benefit future fiscal periods. To the extent that fixed assets are available to provide future services to Manitobans, annual operating deficits and the accumulated deficit are overstated. The Government is not following the accrual basis of accounting in this regard.

We recommend that the Government take appropriate action to develop information so it will be able to record in its financial statements fixed assets purchased and still available to provide future services to Manitobans.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

General Comments on the Public Accounts

Information on the Government's financial position and its operating results is published annually by the Government of the Province of Manitoba in the Public Accounts. The objectives of financial reporting are as follows:

- to communicate information that is relevant, timely, clear and developed on the basis of consistently applied accounting policies.

- to provide an accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible.

- to demonstrate the Government's accountability for the financial resources entrusted to it.

- to account for the sources, allocation and use of the financial resources required by the Government in the period being reported on.

- to present information to display the state of the Government's finances.

The Public Accounts and departmental annual reports are the principle means by which the Government accounts to the Legislature and the public on the results of its operations.

The Public Accounts consists of three volumes. Volume 1 contains the financial statements of the Consolidated Fund, being the Operating Fund and the Trust Fund, and other sections of supporting information. Volume 2 contains supplementary information on expenditures by object code, salaries and wages paid to employees and payments to corporations, firms, individuals, other governments and government agencies. Volume 3 contains the Summary financial statements. The Consolidated Fund financial statements for March 31, 1989 are reproduced in this report as Exhibit 2. The Summary financial statements for March 31, 1989 are reproduced in this report as Exhibit 6.

To help a reader better understand the Government's operating results, we provide additional comments and analysis on significant aspects of its financial operations.

The Government is still in the process of expanding the contents of its Summary financial statements. Over the next few years, the Government will be combining its special funds and more of its organizations with the Operating Fund financial statements of the Consolidated Fund. As a result, there will not be consistency in the presentation of the Summary financial statements until the operations of all the organizations for which the Government is responsible have been included as part of the reporting entity. Therefore, our analysis of significant trends will be restricted to information based upon the Consolidated Fund financial statements until such time as the Summary financial statements are complete.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Annual Operating Deficit and Accumulated Deficit

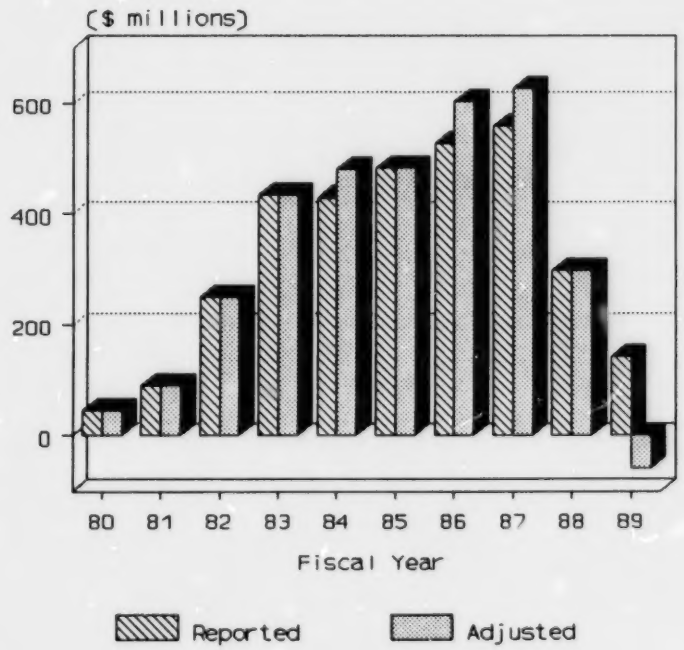
The annual operating deficit is the excess of expenditures over revenues for the year. The accumulated deficit is the total of all the annual operating deficits, plus adjustments to prior period operating results, less any annual operating surpluses. In Manitoba, the accumulated deficit is disclosed on the Operating Fund statement of financial position and it is called "Total Excess of Liabilities Over Financial Assets and Similar Items". The similar items refer to serial debentures of school divisions and districts and securities received from the sale of land and buildings. These items are to be funded by charges to future appropriations.

There are different opinions about governments' accumulating deficits. However, when a deficit is incurred it means that the Government must finance this portion of its operations with borrowings (debt). This results in a portion of the Government's future revenues being used to fund interest on debt. Continuing significant deficits may make it difficult for the Government to manage the debt. The following graphs provide an insight into the Government's annual operating deficits and accumulated deficit.

Graph 1 illustrates the reported annual operating deficit for each of the last ten years, from 1980 to 1989. The graph also provides, for comparison, the adjusted annual operating deficits after reflecting reservations reported in our attest audit opinions that affected the annual operating deficits.

Annual Operating Deficit

GRAPH 1



PUBLIC ACCOUNTS - COMMENTS AND TRENDS

The annual figures reflected in the ten year period covered in graph 1 are as follows:

GRAPH 1

Annual Operating Deficit

	Reported ($ millions)	Adjusted ($ millions)
1980	45	45
1981	90	90
1982	251	251
1983	435	435
1984	429	480
1985	483	483
1986	528	603
1987	559	627
1988	299	299
1989	142	(58)

Graph 1 shows that the reported annual operating deficits range from a low of $45 million in 1980 to a high of $559 million in 1987. The adjusted figures reflect a high of $627 million for 1987. For 1989, the reported operating deficit is $142 million. However, if the Government had not transferred $200 million of Operating Fund revenue to the Fiscal Stabilization Fund, the Government would have reported an operating surplus of $58 million. The improved position for 1989 resulted from a significant increase in equalization payments from the Federal Government.

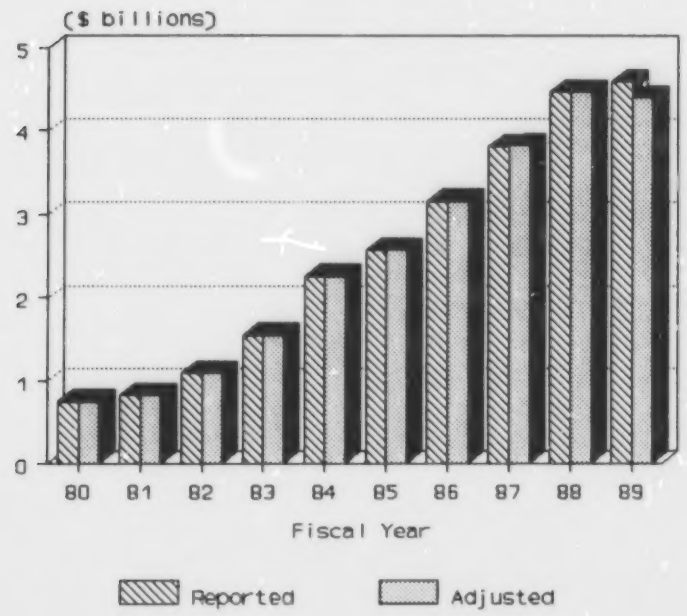
Except for 1984, the reported annual operating deficits increased from 1980 through 1987. The adjusted annual operating deficits, including 1984, increased during the same period. We acknowledge the positive results in 1988 and 1989 when both the reported and adjusted annual operating deficits decreased significantly.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Graph 2 shows the reported accumulated deficits over the past ten years. The graph also provides, for comparison, the adjusted accumulated deficit each year after reflecting reservations reported in our attest audit opinions that affected the accumulated deficit.

Accumulated Deficit

GRAPH 2

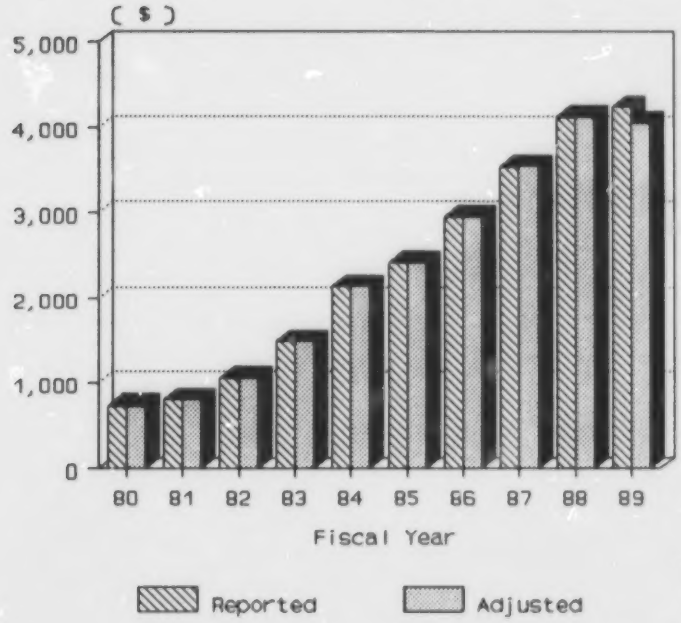


	Reported ($ millions)	Adjusted ($ millions)
1980	746	746
1981	822	822
1982	1,091	1,091
1983	1,547	1,547
1984	2,256	2,256
1985	2,574	2,574
1986	3,152	3,152
1987	3,804	3,815
1988	4,461	4,461
1989	4,588	4,388

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Graph 2.1 shows reported accumulated deficits on a per-capita basis. The graph also provides, for comparison, the adjusted accumulated deficits on a per-capita basis after reflecting reservations in our attest audit opinions that affected the accumulated deficits.

Accumulated Deficit
Per Capita
GRAPH 2.1



	Population (thousands)	Reported Accumulated Deficit Per Capita $	Adjusted Accumulated Deficit Per Capita $
1980	1,023.8	729	729
1981	1,024.4	802	802
1982	1,031.9	1,057	1,057
1983	1,043.3	1,483	1,483
1984	1,055.0	2,138	2,138
1985	1,062.7	2,422	2,422
1986	1,070.1	2,946	2,946
1987	1,077.2	3,531	3,542
1988	1,082.8	4,120	4,120
1989	1,083.3	4,235	4,051

Manitoba's population figures used throughout this report are those reported by the Manitoba Bureau of Statistics as at April 1 of each year.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Graph 2 shows that the reported accumulated deficit continues to increase. The accumulated deficit has increased $3,842 million since 1980, or more than six times the accumulated amount outstanding at the end of 1980. Per graph 2.1, the reported accumulated deficit per capita has increased $3,506 since 1980. This is approximately 5.8 times the amount outstanding at the end of 1980.

The accumulated deficit is, of course, a product of annual operating deficits. Annual operating deficits and the accumulated deficit are the result of both operating and capital related expenditures. In order to reduce the accumulated deficit, annual operating surpluses are required.

We recommend the Government continue to work to reduce its annual operating deficits and accumulated deficit.

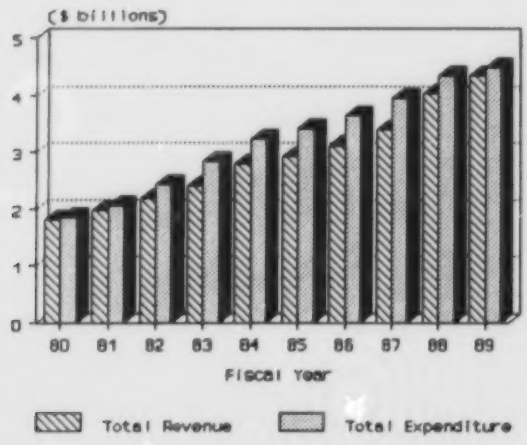
Expenditure and Revenue

Graph 3 shows the Government's reported expenditures and revenues for the ten years ended March 31, 1989.

Graph 3.1 provides, for comparison, the Government's reported expenditures and revenues for the past ten years adjusted for reservations that we reported in our attest audit opinions that affected revenue and expenditure.

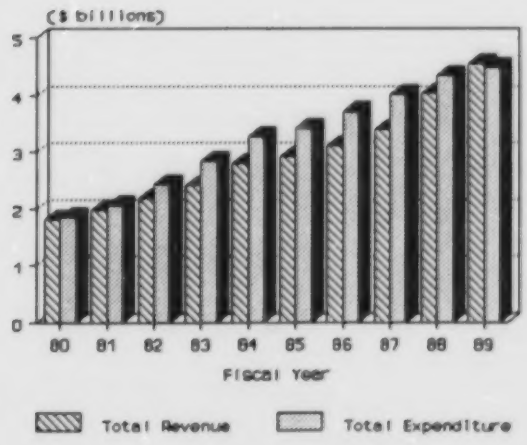
Reported
Expenditure and Revenue

GRAPH 3



Adjusted
Expenditure and Revenue

GRAPH 3.1



PUBLIC ACCOUNTS - COMMENTS AND TRENDS

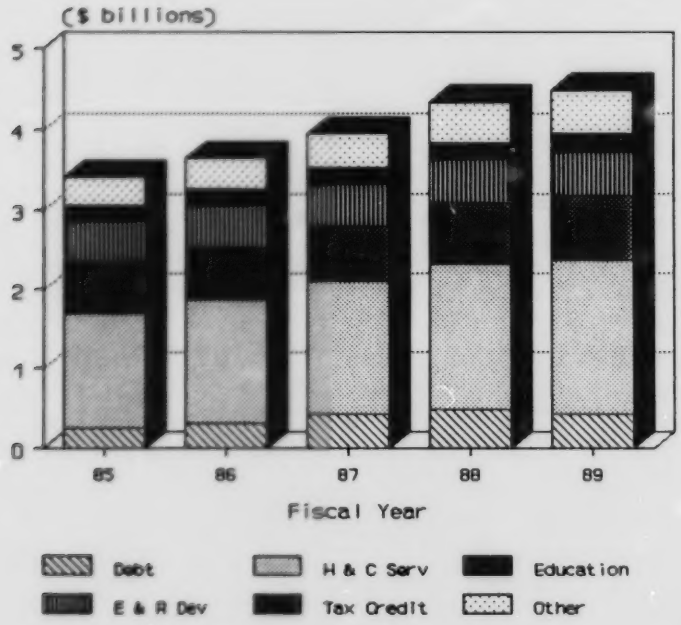
	Reported		Adjusted	
	Revenue	Expenditure	Revenue	Expenditure
	($ billions)		($ billions)	
1980	1.8	1.9	1.8	1.9
1981	2.0	2.1	2.0	2.1
1982	2.2	2.4	2.2	2.4
1983	2.4	2.8	2.4	2.8
1984	2.8	3.2	2.8	3.3
1985	2.9	3.4	2.9	3.4
1986	3.1	3.6	3.1	3.7
1987	3.4	3.9	3.4	4.0
1988	4.0	4.3	4.0	4.3
1989	4.3	4.5	4.5	4.5

Graph 3.1 illustrates that, except for 1989, expenditures have exceeded revenue for the years included. In 1988 and 1989, the increase in revenues has exceeded the increase in expenditures.

Expenditure by Major Category

Graph 4 presents reported expenditure information by major category.

GRAPH 4



GRAPH 4

Expenditure by Major Category as a %

	1985	1986	1987	1988	1989
Public Debt	7.1%	8.4%	10.7%	11.2%	9.3%
Health & Community Services	42.5%	42.7%	42.5%	42.3%	43.2%
Education	19.2%	18.2%	17.6%	17.5%	18.0%
Economic & Resource Development	15.1%	14.5%	13.3%	12.5%	12.4%
Manitoba Tax Credit Plans	5.6%	5.5%	5.2%	4.8%	5.3%
Other	10.5%	10.7%	10.7%	11.7%	11.8%
	100%	100%	100%	100%	100%

Graph 4 shows that reported expenditure for the year ended March 31, 1989, of $4.5 billion was $.2 billion greater than the March 31, 1988 expenditure of $4.3 billion. The graph further illustrates the percentage of expenditures related to government programs being Health and Community Services, Education, Tax Credit Plans and other increased in 1989 over 1988. The percentage of expenditures related to public debt and Economic and Resource Development decreased.

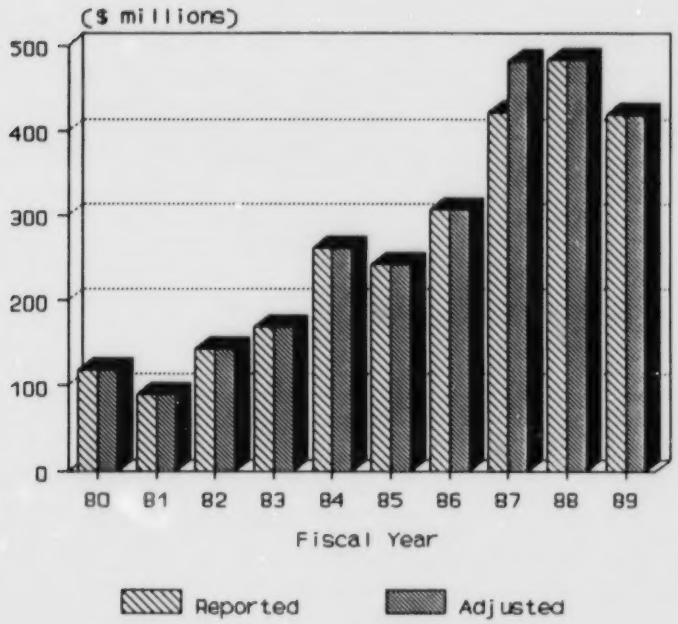
Public Debt Expenditure

Graph 5 shows the reported public debt expenditure, including Hydro rate stabilization expenditure, for the last ten years. The graph also provides, for comparison, the adjusted public debt expenditure, including Hydro rate stabilization, after reflecting reservations reported in our attest audit opinions that affected public debt expenditure.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Public Debt Expenditure

GRAPH 5



	Reported ($ millions)	Adjusted ($ millions)
1980	119	119
1981	90	90
1982	143	143
1983	168	168
1984	262	262
1985	242	242
1986	307	307
1987	422	482
1988	483	483
1989	419	419

Graph 5 illustrates that public debt expenditures, including Hydro rate stabilization expenditure, ranged from a low of $90 million in 1981 to a high of $483 million in 1988. In 1989, public debt expenditure decreased due mainly to more favourable foreign currency exchange rates and from actions taken to reduce exposure in foreign debt.

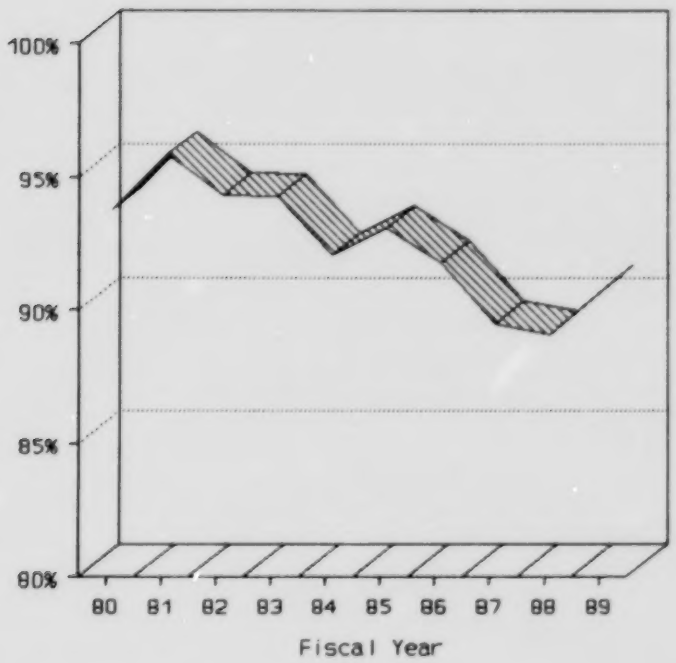
PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Spending Flexibility

Graph 6 illustrates reported Government expenditures, excluding public debt expenditure, as a % of total Government expenditures.

Expenditures (Excluding Public Debt Expenditures) as a % of Total Expenditures

GRAPH 6



1980	93.6%
1981	95.6%
1982	94.1%
1983	94.1%
1984	91.9%
1985	92.9%
1986	91.6%
1987	89.3%
1988	88.9%
1989	90.7%

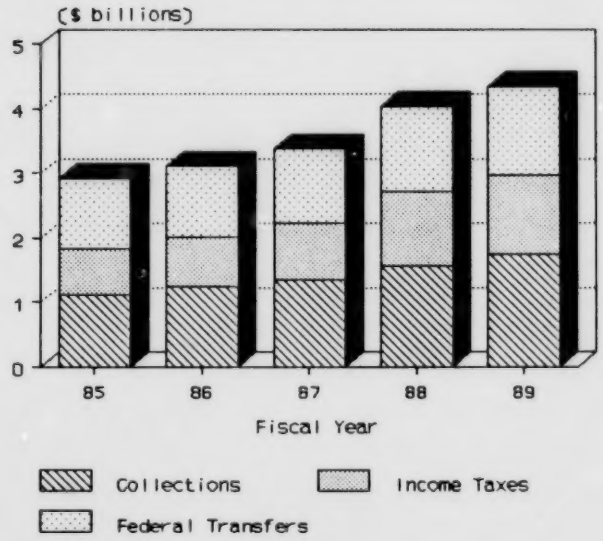
PUBLIC ACCOUNTS - COMMENTS AND TRENDS

The more the Government spends on public debt, the less funds are available for government programs. The trend over the last 10 years has been a decrease in the Government's spending flexibility because of the increase in public debt expenditures. In 1989, there was a decrease in public debt expenditures and a resulting increase in spending flexibility.

Revenue by Major Category

Graph 7 presents reported revenue information by major category.

GRAPH 7



	($ billions and Percent of Total)			
	Manitoba Collections	**Income Taxes**	**Federal Transfers**	**Total Revenue**
1985	1.1 - 38%	.7 - 25%	1.1 - 37%	2.9
1986	1.2 - 40%	.8 - 25%	1.1 - 35%	3.1
1987	1.3 - 40%	.9 - 26%	1.2 - 34%	3.4
1988	1.6 - 39%	1.1 - 29%	1.3 - 32%	4.0
1989	1.7 - 39%	1.2 - 28%	1.4 - 33%	4.3

Except for 1989, the figures displayed above are the same for reported revenues and reported revenues adjusted for reservations in our attest audit opinions that affected revenues. In 1989 the reported revenue reflected a transfer of $200 million to the Fiscal Stabilization Fund.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

The adjusted 1989 revenue was $4.5 billion. This is an increase of $.5 billion over the 1988 revenue of $4.0 billion. Federal transfer payments, being equalization and established program transfers, reflected the most significant increase. Equalization increased by $243 million while established program transfers decreased by $8 million.

Combined Direct and Guaranteed Public Borrowings

Direct public borrowing is debt the Government has incurred to supplement the shortfall in revenue needed to carry out its fiscal operations and to fund major capital initiatives. In addition to direct public borrowings, the Government has guaranteed public borrowings issued by Government entities. Guaranteeing these entities' borrowings is an alternative to direct Government borrowings and lending the funds to the entities. Included in the guaranteed borrowings are certain amounts which are essentially the same as direct borrowings because the borrowings are serviced from the Consolidated Fund. The reported direct and guaranteed borrowings are presented below for information purposes (in millions of dollars):

	March 31		Increase
	1989	1988	(Decrease)
Direct borrowing:			
General government programs	$ 6,179	$ 5,907	$ 272
The Manitoba Hydro-Electric Board	2,938	2,745	193
The Manitoba Telephone System	537	564	(27)
Other	695	705	(10)
	10,349	9,921	428
Guaranteed borrowings	2,013	1,951	62
	12,362	11,872	490
Less:			
Sinking funds re:			
Direct borrowings	1,502	1,295	207
Guaranteed borrowings	277	263	14
Debt of the Province of Manitoba held as provincial investments	198	134	64
Unamortized debt issue costs	44	44	-
Total	$ 10,341	$ 10,136	$ 205

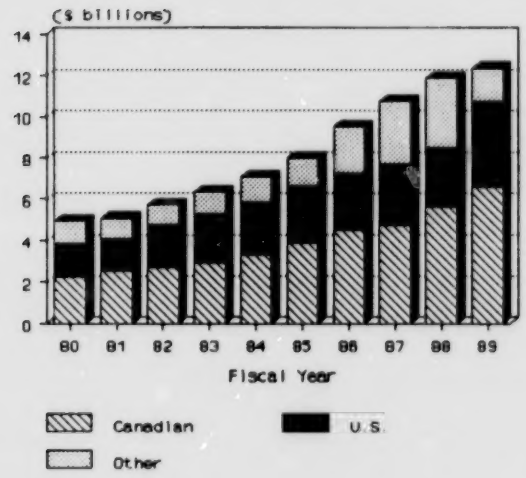
Included in direct borrowings - "other" is debt totalling $162 million, which has been used to fund loans, advances and investments for which valuation allowances have been established at March 31, 1989 (1988 - $166 million). If write-off of these assets occurs, this debt would be considered general government program debt.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

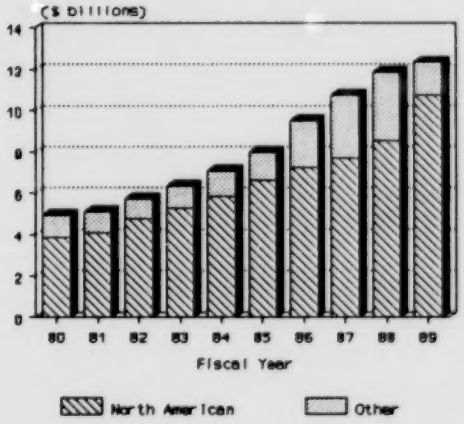
Further details on borrowings of the Government and guaranteed debt, are shown in Section 3 of Volume 1 of the Public Accounts.

The following graphs provide illustrative information about the Government's reported gross combined direct and guaranteed public borrowings. Graph 8 shows the gross combined direct and guaranteed public borrowings at the Canadian dollar equivalent as at March 31, split between Canadian dollar borrowings, U.S. dollar borrowings and other foreign currency borrowings. Graph 8.1 shows the gross combined direct and guaranteed public borrowings at the Canadian dollar equivalent as at March 31, split between borrowings in North American currencies and other foreign currencies.

GRAPH 8



GRAPH 8.1



Canadian Debt as a % of Total

1980	45.6%	1985	48.3%
1981	49.3%	1986	47.2%
1982	47.2%	1987	44.3%
1983	46.2%	1988	47.3%
1984	47.0%	1989	53.1%

North American Debt as a % of Total

1980	78.2%	1985	83.1%
1981	80.7%	1986	76.2%
1982	83.5%	1987	71.6%
1983	83.4%	1988	71.9%
1984	82.2%	1989	87.0%

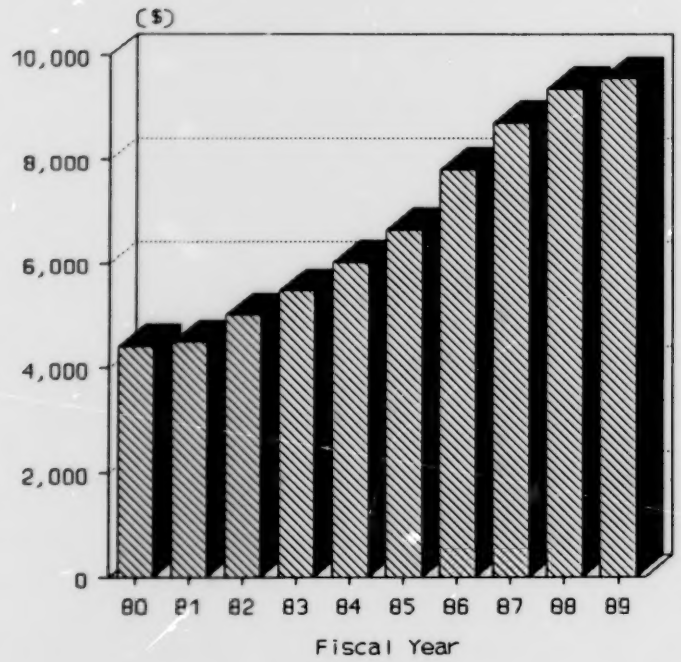
PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Graph 8.1 shows that during the years 1986 to 1988, the Government had significantly increased its non North American currency borrowings. The Government chose to borrow in these foreign currency markets because of favourable interest rates. However, such borrowings increased the Government's exposure to unfavourable foreign exchange fluctuation. The graph further illustrates a significant decline in non North American currency debt in 1989. In 1989, the Government took action to decrease its risk of unfavourable foreign exchange fluctuation by converting some of its non North American currency debt to Canadian and U.S. dollar debt.

Graph 9 shows the reported combined direct and guaranteed public borrowings, net of sinking funds, etc., at the Canadian dollar equivalent as at March 31, on a per-capita basis.

Net Combined Direct and Guaranteed Public Borrowings Per Capita

GRAPH 9



	($)		($)
1980	4,407	1985	6,651
1981	4,493	1986	7,816
1982	5,003	1987	8,708
1983	5,474	1988	9,361
1984	6,020	1989	9,546

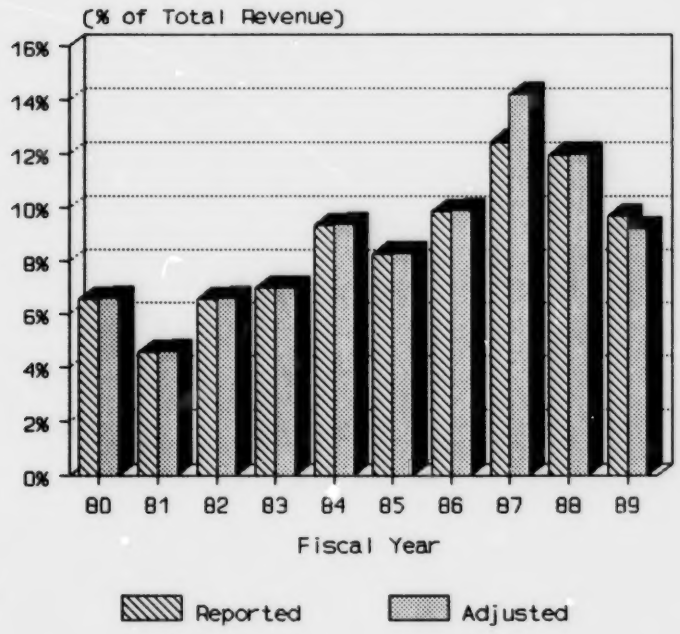
PUBLIC ACCOUNTS - COMMENTS AND TRENDS

The graph illustrates the increasing effect the combined direct and guaranteed public borrowings, net of sinking funds etc., has per Manitoban from 1980 through 1989. As at March 31, 1989, the net borrowings represent $9,546 per Manitoban as compared to $4,407 in 1980. This is considerably more than double the 1980 amount.

Graph 10 shows the public debt expenditure, including Hydro rate stabilization expenditure, as a percentage of total revenue. The graph also provides, for comparison, the adjusted public debt expenditure, including Hydro rate stabilization, reflecting reservations reported in our attest audit opinions that affected public debt expenditure, as a percentage of total revenue.

Public Debt Expenditure
a % of Total Revenue

GRAPH 10



	Reported	Adjusted
1980	6.6%	6.6%
1981	4.6%	4.6%
1982	6.6%	6.6%
1983	7.0%	7.0%
1984	9.4%	9.4%
1985	8.3%	8.3%
1986	9.8%	9.9%
1987	12.4%	14.2%
1988	12.0%	12.0%
1989	9.7%	9.2%

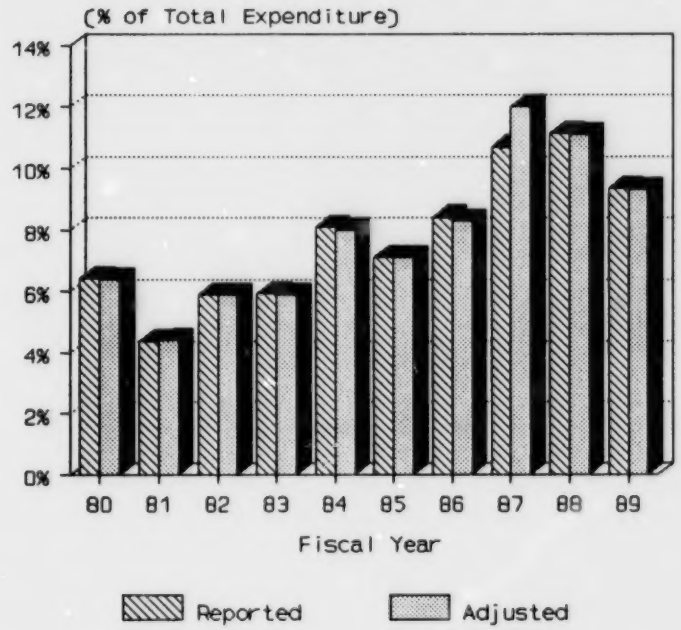
PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Public debt expenditure for 1989, as a percentage of revenue, is less than the ten province average of 10%.

Graph 10.1 shows the public debt expenditure, including Hydro rate stabilization expenditure, as a percentage of total expenditures. The graph also provides, for comparison, adjusted public debt expenditure, including Hydro rate stabilization, reflecting reservations in our attest audit opinions that affected public debt expenditure, as a percentage of total expenditure.

Public Debt Expenditure as a % of Total Expenditure

GRAPH 10.1



	Reported	Adjusted
1980	6.4%	6.4%
1981	4.4%	4.4%
1982	5.9%	5.9%
1983	5.9%	5.9%
1984	8.1%	8.0%
1985	7.1%	7.1%
1986	8.4%	8.3%
1987	10.7%	12.0%
1988	11.1%	11.1%
1989	9.3%	9.3%

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Loans and Advances

Loans and advances represent the recoverable amount of funds that the Government provided to Crown corporations, agencies, boards and commissions for Government programs. These funds are generally raised through borrowings.

Total reported loans and advances, net of sinking funds, increased by $539 million, from $3,671 million at March 31, 1988 to $4,210 million at March 31, 1989.

An overview of the net increase in the loans and advances to Crown corporations, agencies, boards and commissions, net of sinking funds is as follows *(in millions of dollars):*

	March 31		
	1989	1988	Increase
Loans and advances	$ 4,382	$ 3,822	$ 560
Less:			
Sinking funds of Crown agencies re borrowings by the Province	172	151	21
	$ 4,210	$ 3,671	
Net increase			$ 539

An analysis of the net increase of $539 million, by agency, is as follows *(in millions of dollars):*

Agency	Change in Loans and Advances	Less: Change in Sinking Funds	Net
Manitoba Agricultural Credit Corporation	$ (2)	$ -	$ (2)
Manitoba Beef Commission	(6)	-	(6)
Manitoba Crop Insurance	91	-	91
Manitoba Data Services	1	-	1
Manitoba Development Corporation	1	-	1
Manitoba Housing and Renewal Corporation	69	1	68
Manitoba Hydro-Electric Board	428	17	411
Manitoba Properties Inc.	10	-	10
Manitoba Telephone System	(27)	3	(30)
Manitoba Water Services Board	(2)	-	(2)
Other	(3)	-	(3)
	$ 560	$ 21	$ 539

Further details of loans and advances to Crown corporations, agencies, boards and commissions are shown in Section 2 of Volume 1 of the Public Accounts.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Long-Term Investments

The majority of the Province's long-term investments consist of shares and debentures of Crown corporations. The total long-term investments, shown in the Operating Fund statement of financial position and schedule 3, decreased by $4 million, from $174 million at March 31, 1988 to $170 million at March 31, 1989.

An overview of the net change of $4 million in long-term investments is as follows *(in millions of dollars):*

	Increase (Decrease)
Common Shares:	
Manitoba Oil and Gas Corporation	$(15)
Manitoba Mineral Resources Ltd.	10
Manitoba Hazardous Waste Management Corporation	1
	$ (4)

The decrease relates to the decrease in common shares of Manitoba Oil and Gas. This resulted from the Government's sale of the Corporation in December 1988.

Valuation Allowance

A valuation allowance is a provision for a decrease in the estimated realizable value of Government loans, advances and long-term investments. When it is determined that a particular asset has a value less than the recorded value, an allowance is set up against that asset and a charge is made to an expenditure appropriation so that the net amount reported in the financial statements for that asset equals the estimated realizable value.

The valuation allowance provided against loans and advances and long-term investments increased during the year by $8 million, from $206 million at March 31, 1988 to $214 million at March 31, 1989. A comparative summary of the valuation allowance, highlighting the allocation to expenditure and accumulated deficit, is as follows *(in millions of dollars):*

	March 31	
	1989	1988
Opening balance	$ 206	$ 58
Net increase charged to appropriations	16	21
Write-off of assets against valuation allowance	(8)	(10)
Net increase relating to prior years adjustment, charged to the accumulated deficit	-	137
Closing balance	$ 214	$ 206

Details of the valuation allowance are reflected in the Operating Fund financial statements - statement of financial position, schedule 2 and schedule 3. The change in valuation allowance is set out in Public Accounts Section 2 of Volume 1.

PUBLIC ACCOUNTS - COMMENTS AND TRENDS

Consolidated Fund Financial Statements - Reservation In Our Attest Audit Opinion

Exhibit 1 is a reproduction of our attest audit opinion on the Consolidated Fund financial statements of the Government of the Province of Manitoba. The financial statements are in accordance with applicable legislation. However, we have reported a reservation in our attest audit opinion concerning the non-inclusion of the Fiscal Stabilization Fund in the Consolidated Fund's Operating Fund financial statements.

The Government announced its intention to create the Fiscal Stabilization Fund in its 1989 Budget. Royal Assent was given to Bill 27 on December 13, 1989 bringing into force The Fiscal Stabilization Fund Act as at March 31, 1989. The Fiscal Stabilization Fund was established as a distinct Fund separate from the Operating Fund, under the direction and control of the Minister of Finance. The Minister is to hold the Fund in trust and manage the Fund in accordance with the provisions of the Financial Administration Act. The purpose of the Fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term fiscal planning.

The Government retroactively made entries to reflect a transfer of $200 million directly from Operating Fund revenue to the Fiscal Stabilization Fund. The Government's actions are fully in accordance with The Fiscal Stabilization Fund Act, but, in our view, are not in accordance with the intent of the Operating Fund's accounting policies. The accounting policies state that the financial statements prepared for the Operating Fund report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. While the Government records its revenues in the Operating Fund, it then reduces its reported revenue by transferring $200 million in revenues from the Operating Fund to the Fiscal Stabilization Fund. To the extent that Operating Fund revenues have been transferred out of the Operating Fund, the intent of the accounting policies is not being followed. In our view, segregation of these funds from the Operating Fund is not appropriate because it results in the Government's Operating Fund financial statements being incomplete through fragmentation.

We use the term fragmentation to describe the effect of inappropriate presentation practices. By fragmentation, we mean that the operating results are either not located in one place or are not readily understandable.

The Fiscal Stabilization Fund was initiated through a transfer of Operating Fund revenues and when the funds are needed, they will be returned to the Operating Fund as revenue and will be spent as Operating Fund expenditures on Government programs for the benefit of Manitobans generally. The Government's reported Operating Fund revenues for the year are understated by $200 million with a corresponding overstatement in the reported operating deficit for the year and the accumulated deficit. As disclosed in note 14 to the Operating Fund financial statements, if the transfer had not been made the operating results would have reflected an operating surplus of $58 million instead of a reported operating deficit of $142 million. This note disclosure is helpful, but it is not the same as if the Fiscal Stabilization Fund had been incorporated into the Operating Fund. In our view, it is only when the Fiscal Stabilization Fund is combined with the Operating

Fund of the Consolidated Fund that a meaningful position of the Operating Fund is established. Accordingly, we have reported a reservation in our attest audit opinion on the Government's Consolidated Fund financial statements.

We recommend that the Government combine the Fiscal Stabilization Fund with the Operating Fund financial statements for financial reporting purposes. It should be noted that the Summary financial statements combine the Fiscal Stabilization Fund, together with certain other Crown entities, with the Operating Fund. But, this does not provide the information expected at the Operating Fund financial statement level.

Summary Financial Statements - Reservation In Our Attest Audit Opinion

Exhibit 5 is a reproduction of our attest audit opinion on the Summary financial statements of the Government of the Province of Manitoba. As stated in the section General Comments on the Public Accounts, one of the objectives of financial reporting is to provide an accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible.

The March 31, 1989 Summary financial statements present information in accordance with the Government's stated accounting policies for the Summary financial statements. The Government has adopted PSAAC's recommendations pertaining to Summary financial statements for the government reporting entity. The Government is taking a staged approach to its Summary financial statements with full implementation of PSAAC's recommendations by the fiscal year ending March 31, 1991. Therefore, for the year ended March 31, 1989 the Summary financial statements only include the operating results of some of the organizations for which the Government is responsible. As a result, we reported a reservation in our attest audit opinion on the Government's Summary financial statements for the year ended March 31, 1989. Our reservation was made because the statements do not provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible.

We recommend the Government continue its efforts towards full implementation of these PSAAC recommendations so as to provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible.

Classification of Trust Funds

The Government classifies certain funds as trust funds in accordance with legislation establishing these funds. However, in our view, these funds do not meet the criteria of a trust fund because the usual fiduciary trust relationships do not exist for these funds. This is because the Government is using these funds to deliver Government programs and the Government has discretion as to how and when to use the funds. On the following page are the significant funds that the Government has classified as trust funds that we consider do not meet the criteria of a trust fund. The various funds may have both an operating account and an investment account. The operating account is the account from which expenditures are made to deliver the program. The investment

account is for the deposit of funds surplus to the immediate cash requirement needed to deliver the program. Funds are invested with the Minister of Finance and interest is earned at market rates in accordance with the terms of the investment. The receipts and disbursements presented below reflect a consolidation of the operating account and the investment account with any transactions between these accounts being eliminated. The balance is the balance of the operating and investment accounts as presented in the Public Accounts.

	Fiscal Year Ended March 31, 1989		
	Receipts (Millions)	Disbursements (Millions)	Balance (Millions)
Manitoba Lottery Trust Funds:			
Culture, Heritage and Recreation	$ 16.2	$ 15.8	$ 16.1
Community Places	6.5	7.5	17.3
Amateur Sport	5.3	8.0	3.9
Fitness Development	.4	.2	1.0
Planning and Research	.1	-	.4
Mining Community Reserve	5.1	.2	9.6
Fires Prevention Fund	2.9	1.8	5.9
Victims Assistance Fund	.8	.2	1.3
	$ 37.3	$ 33.7	$ 55.5

The Government accounts for these funds in the Trust division of the Consolidated Fund. However, because these funds do not meet the criteria of a trust fund and are used for the delivery of Government programs, we consider that they should be reported in the Operating Fund of the Consolidated Fund. This would be more appropriate considering the Government's stated accounting policies. The Government's accounting policies state that the Operating Fund records the operational activities of the Government including revenue and expenditure on Government programs.

We appreciate that the funds are established by legislation and as a result, there is a need for the Government to account for these funds separately as "special funds". However, in our view, these special funds should be included in departmental estimates which are subject to Legislative Assembly review. Also, in our view, these special funds should be combined with the Operating Fund of the Consolidated Fund for reporting purposes.

Last year we reported our concerns about the lottery trust funds in the Department of Culture, Heritage and Recreation and the Department of Health. Because the lottery funds were reported as trust funds and not included in the Operating Fund, the financial reporting of the operations of these two departments was incomplete. We acknowledge that the Department of Culture, Heritage and Recreation and the Department of Health are now including operations from lottery funds in their estimate packages and the Supplementary Information for Legislative Review. However, information on lottery fund operations has not been included in the Printed Estimates for Legislative Assembly approval.

We recommend that the Government give consideration to reporting the revenues,

expenditures and balances of these special funds in the Operating Fund of the Consolidated Fund. We further recommend that the Government consider amending the legislation establishing these funds as trust funds. We also recommend that the components of the special funds be included in departmental Printed Estimates for review and approval by the Legislative Assembly. It should be noted that the Summary financial statements combine the special funds, together with certain other Government entities, with the Operating Fund. But, this does not provide the information expected at the Operating Fund financial statement level.

Officials advised that for the fiscal year ending March 31, 1991 all lottery funded programs will be included in departmental estimates. An equivalent amount of lottery proceeds will be transferred from Trust to Operating Fund revenue to cover the spending through departmental appropriations. This is positive action. However, any lottery funds remaining in trust accounts at the year end should be combined with the Operating Fund for reporting purposes.

Timely Completion of Public Accounts

We have reported for several years that the Government does not complete and issue its Public Accounts on a timely basis. The Government released the March 31, 1988 Public Accounts on December 21, 1988, nearly nine months after the fiscal year end. This was not timely. Most other jurisdictions complete their public accounts on a more timely basis. Two other jurisdictions, both much larger than Manitoba, are able to complete their Public Accounts within six months of the fiscal year end. We recognize that the Government does release a preliminary unaudited financial report, usually within four months after the year end. In our view, the Government of Manitoba should be able to issue its Public Accounts on a more timely basis.

The usefulness of the Government's operating information and annual results, to the Legislature and the public, decreases the longer it takes the Government to release the information.

The Government has taken some action to address this matter. In July, the Department of Finance hired an additional staff member specifically devoted to the reporting function. The Department has also acquired a financial statement reporting package to assist it in assembling the required financial information.

Volumes 1 and 2 of the March 31, 1989 Public Accounts were not released until January 26, 1990. Volume 3 was not completed until April 1990. There were unusual circumstances that contributed to the delayed development and release of the Public Accounts. Two legislative changes required passage by the Legislative Assembly before Volumes 1 and 2 could be finalized. Volume 3 required familiarization with new government reporting entity concepts and the development of information not previously available.

We recommend that the Government continue to work to complete and release the Public Accounts on as early a time frame as practicable, with an objective of September 30th. It may be necessary for the Government to reorganize certain of its activities to achieve the objective of September 30th.

Officials advised that the Department of Finance is continuing to work to improve the timeliness of Public Accounts as are other Governments in Canada. Considerable effort is being directed towards the development/acquisition of an integrated financial information system that will help address the Government's need to be able to assemble the required information on a timely basis.

Revenue and Expenditure Variance Explanations

We reported for several years that the revenue and expenditure variance explanations prepared by many departments were neither adequate nor developed on a timely basis.

There has been improvement in the quality and timeliness of the explanations. The Government has a plan to move the variance explanations out of the Public Accounts to department annual reports. Implementation of this plan will resolve our concerns.

Comparison of the Consolidated Fund's Operating Fund Financial Statements with the Summary Financial Statements

Operating Fund Financial Statements

The Operating Fund financial statements have their limitations. These financial statements only present the operating results and the financial position of the Operating Fund. They are only intended to account for the monies appropriated for expenditure by the Legislature. They do not provide an overall picture, including all of the operations for which the Government is responsible. They exclude the operations of special funds and organizations which provide services exclusively to the Government and through which the Government delivers programs.

The public sector has recognized the limitations of specific purpose financial statements such as Manitoba's Operating Fund financial statements. As a result, PSAAC developed recommendations for the preparation of summary financial statements. As explained below, the Government of the Province of Manitoba is in the process of developing summary financial statements.

Summary Financial Statements

The Summary financial statements are based on the PSAAC's Accounting Statement #3 - General Standards of Financial Statement Presentation for Governments, and Accounting Statement #4 -Defining the Government Reporting Entity. The Government has adopted the government reporting entity concepts recommended by PSAAC and first published an abbreviated set of Summary financial statements for March 31, 1988.

The Summary financial statements are intended to present an overview of the full nature and extent of the financial affairs and resources for which the Government is responsible. They provide additional information on the economic impact of the Government's activities beyond that reflected in the Operating Fund financial statements. The financial position and operating results of special funds and those Government organizations that exist primarily to provide services to the Government and to deliver Government programs are

combined with the Operating Fund on the consolidation basis. The financial position and operating results of those Government organizations that operate as distinct business enterprises are combined with the Operating Fund on the modified equity basis. The modified equity method results in an increase or decrease to the Government's net assets and operating results by reflecting changes in the net assets and liabilities and operating results of individual Government business enterprises.

The Summary financial statements for March 31, 1988 reflected the consolidation of the Operating Fund with the financial operations of Manitoba Properties Inc. and its related holding companies. In the Summary financial statements for the year ended March 31, 1989, the Government has further combined the financial operations of its special funds and some Government organizations with the Operating Fund. They also include a business enterprise type Crown agency, the Manitoba Telephone System. The Government intends to phase in the other Government organizations in the next two years. We consider this to be a reasonable approach. For March 31, 1989 the following financial operations have been combined with the Operating Fund of the Consolidated Fund:

Consolidation Method:

- Special (Trust) Funds:
  - Fires Prevention Fund
  - Fiscal Stabilization Fund
  - Manitoba Lottery Trust Funds
  - Mining Community Reserve
  - Victims Assistance Fund
- Other Miscellaneous Trust Funds:
  - Builders' Liens Act
  - Contractual Holdbacks
- Government organizations that exist primarily to provide services to the Government and/or to deliver Government programs:
  - Alcoholism Foundation of Manitoba
  - Legal Aid Services Society of Manitoba
  - Manitoba Health Services Commission
  - Manitoba Housing and Renewal Corporation
  - Manitoba Properties Inc. and its related holding companies
  - Public Schools Finance Board
  - Universities Grants Commission

These organizations represent the major funding recipients within the Government reporting entity but are only a small portion of the organizations that the Government is responsible for and will eventually include in the Summary financial statements on the consolidation method. Others are listed in schedule I to the Summary financial statements.

Modified Equity Method

The Manitoba Telephone System is only one of several business enterprise type entities that the Government eventually will include in the Summary financial statements on the modified equity method. Others are listed in schedule I to the Summary financial statements.

PUBLIC ACCOUNTS - ACCOUNTING POLICIES

We previously reported that the Government is not complying with recent recommendations of the Canadian Institute of Chartered Accountant's Public Sector Accounting and Auditing Committee (PSAAC). The following matters provide an update on these issues:

A. Employee Pension and Other Employee Benefit Liabilities

Employee pensions continue to be a significant cost of the Government and its agencies. This is the eleventh year that we have reported our concerns regarding this matter. These are growing liabilities for employee pensions and unreported pension costs. The Government continues not to record its liability in its Summary financial statements for the pension entitlements and severance benefits earned by civil servants, teachers, Members of the Legislative Assembly and employees of certain Crown agencies each year. The Government's Operating Fund financial statements also omit the liability and cost of the benefits earned by its employees each year. The Government discloses information about civil service and teacher pension liabilities in notes to the Operating Fund financial statements. The accumulated liability as at March 31, 1989 has risen to approximately $990 million (1988 - $879 million). The Government's non recording of the yearly pension liability results in the Province's deficit being understated by the costs associated with the annual increase in the amount of the pension liability (1989 - $111 million, 1988 - $102 million).

While some Crown agencies record employee benefit liabilities and the annual costs of the pension benefits earned, others do not. Certain other Crown agencies are in the process of recording their pension liabilities. The combined unrecorded pension liabilities of Crown agencies and the unrecorded pension liability of the Government results in excess of $1.3 billion in unrecorded pension liabilities in the Manitoba public sector.

Also, the Government generally does not record other earned employee benefit liabilities such as accrued vacation, sick leave and long-term disability. However, the recently established Manitoba Home Care Employees' Benefits Trust Fund does include provisions for future costs of disability and dental benefits earned by Manitoba Home Care Employees. These provisions have been funded by the Department of Health. This is a positive step, but reflects a further example of inconsistent treatment of recording employee benefit liabilities and costs. Also, the Department of Health provides funding for employee benefits in the health care agencies it supports.

The Government's current method of handling employee benefits causes interperiod inequity and a fragmentation of operating results. We recommend that the Government adopt PSAAC's recommendations for accounting for pensions and other employee benefits. We also recommend that Government provide guidance to Crown agencies so agency financial statements reflect appropriate accounting policies for pension liabilities and other employee benefit liabilities.

The Minister of Finance has indicated his intention to consult with the other provinces to determine the strategies being developed to contend with this issue.

As well, the 1989 actuarial valuation of the pension plans will include a valuation for accounting purposes as well as for funding purposes.

B. Government Reporting Entity

Last year we recommended that the Government adopt PSAAC's recommendations on the Government reporting entity and develop an action plan to report the total Government operations on a combined basis in a set of Summary financial statements.

By following PSAAC's recommendations, the Government would remove the fragmentation of financial reporting that has occurred in the past when programs were carried out through Crown agencies or special funds. This would be accomplished by incorporating the financial results of all organizations which are accountable for the administration of their financial affairs and resources either to a Government minister or directly to the Legislature, and which are owned or controlled by the Government, into a set of summary financial statements of the Government. The Summary financial statements are intended to consolidate the operations of the Consolidated Fund's Operating Fund, special funds, organizations through which government programs are delivered and to include, on a modified equity basis, the operating results of business oriented Crown agencies owned and controlled by the Government.

The Government is taking positive action on this matter. For the 1989 fiscal year, Volume 3 of the Public Accounts is being used to demonstrate the concepts and structure contemplated by PSAAC. The Government is incorporating in the 1989 Summary financial statements, some organizations that are representative of the larger, more global entity. This "demonstration" is intended to help focus attention on both the usefulness of this presentation of the Government's financial affairs as well as the issues that are involved in the adoption of this process. The Government is working towards full implementation of PSAAC's recommendations by the fiscal year ending March 31, 1991.

We recommend that the Government continue to work to report the full combined operations of Government as recommended by PSAAC. The Government is taking a staged approach to its Summary financial statements. Consequently, only some of the organizations for which the Government is responsible are reported in the March 31, 1989 Summary financial statements. As a result, the statements do not provide a comprehensive and complete summary of the full nature and extent of the financial affairs and resources for which the Government is responsible. Therefore, we have had to include a reservation in our attest audit opinion on these statements.

C. Fixed Assets

We reported previously that the current method of accounting for physical assets and its impact on operating results needs to be reviewed. Assets needed and purchased to provide future services to Manitobans are recorded as expenditures when acquired and are not reflected in the Government's financial statements as

assets. This method of accounting causes interperiod inequity and a fragmentation of operating results because it fails to recognize that many of the assets included in capital related expenditures of the Government benefit more than one fiscal period. To the extent that fixed assets are available to provide future services to Manitobans, annual operating deficits and the accumulated deficit are overstated. The Government discloses in a schedule to the Public Accounts the amount of expenditures related to capital by department each year. However, it does not record and disclose its acquired physical assets on hand and available for use at the end of the accounting period in its financial statements.

Because of other priorities, the Government has only taken limited action to develop the information required to implement improved fixed asset accounting. PSAAC has issued a research paper on accounting for fixed assets. It is expected that this will be followed by committee work which, when completed, will provide guidance to governments on the recording and disclosure of fixed assets.

As a result of the research study on this issue, the Government is aware of some of the implications. The Government should be developing information to be in a position to implement PSAAC's recommendations when they are released.

We recommend that the Government take appropriate action to develop information for recognizing fixed assets purchased and intended to provide future services to Manitobans in its financial statements.

Officials advised that the limited resources available for the development of the appropriate information have been dedicated to the study and implementation of other PSAAC recommendations.

D. Gross Accounting

We previously reported that the Government does not fully disclose in its financial statements revenue and expenditure on a gross basis. This concern relates to two significant items. The first is recoveries from Crown corporations and agencies regarding debt servicing and income earned on long-term investments, which are not included in gross revenue. They are included as a reduction of public debt expenditures. The second is the municipal share of individual and corporation income taxes, which is paid to municipalities in accordance with the existing tax sharing agreement, and not recorded as Government revenue or expenditure.

While the recording of these items is not in accordance with full gross accounting, the information is in accordance with the Estimates approved by the Legislature. Also, the Government is now fully disclosing these amounts in its Public Accounts. In our view, with the recent additional disclosure, the Government's policies are appropriate.

Manitoba

REPORT OF THE PROVINCIAL AUDITOR

ON THE CONSOLIDATED FUND FINANCIAL STATEMENTS

OF THE GOVERNMENT OF THE PROVINCE OF MANITOBA

I report that the financial statements of the Consolidated Fund of the Government of the Province of Manitoba, being the Operating Fund financial statements and the Trust Fund financial statements, have been examined under my direction for the year ended March 31, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Subsequent to March 31, 1989, Royal Assent was given to legislation that established the Fiscal Stabilization Fund as at March 31, 1989. The Fiscal Stabilization Fund is a distinct separate Fund from the Operating Fund under the direction and control of the Minister of Finance. As provided in the legislation, $200 million was retroactively transferred from Operating Fund revenue to The Fiscal Stabilization Fund. The effect of the revenue transfer on the Operating Fund financial statements is to understate reported revenue and to overstate the reported deficit by $200 million for the year ended March 31, 1989. The effect is to also overstate the total excess of liabilities over financial assets and similar items (accumulated deficit) and the amount owing to the Trust Fund by $200 million as at March 31, 1989. The effect of the revenue transfer on the Trust Fund financial statements is to overstate Trust Fund balances and the amount due from Operating Fund by $200 million as at March 31, 1989. As disclosed in note 14 to the Operating Fund financial statements, if the Government had not transferred Operating Fund revenue to the Fiscal Stabilization Fund the Operating Fund would have recorded a $58 million surplus instead of the reported deficit of $142 million for the year ended March 31, 1989. Also, the accumulated deficit would be $4,388 million instead of $4,588 million as reported as at March 31, 1989.

In our opinion, except for the effects of the transfer of Operating Fund revenues to the Fiscal Stabilization Fund described in the preceding paragraph, these financial statements present fairly the financial position of the Consolidated Fund of the Government of the Province of Manitoba as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the Government's accounting policies as stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

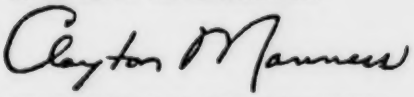
F.H. Jackson, CA
Provincial Auditor

December 14, 1989
Winnipeg, Manitoba

GOVERNMENT OF THE PROVINCE OF MANITOBA
STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Operating Fund and Trust Fund financial statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government and include a statement of financial position, a statement of excess of liabilities over financial assets, a statement of revenue and expenditure, a statement of changes in financial position, schedules, and notes integral to the statements. Together, they present fairly, in all material respects the financial condition of the Consolidated Fund at the fiscal period-end and results of operations for the year then ended. More detailed information regarding the Government's financial position and operating results can be found in other sections of this Volume and in Volume 2 of the Public Accounts.

On behalf of the Government:



HONOURABLE CLAYTON MANNESS
Minister of Finance
December, 1989

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF FINANCIAL POSITION
As at March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE NO		($ millions) 1989	1988
	FINANCIAL ASSETS		
	Cash and Equivalents	$ 1,368	$ 848
1.	Amounts Receivable	179	175
2.	Loans and Advances:		
	Crown Corporations, Agencies, Boards and Commissions	4,143	3,595
	Other Governments	9	9
	Other	58	67
3.	Long-Term Investments	170	174
	Valuation Allowance (Note 2)	(214)	(206)
	Total Financial Assets	$ 5,713	$ 4,662
	LIABILITIES		
	Amount owing to the Trust Fund	$ 1,162	$ 842
4.	Accounts Payable, Accrued Charges and Deferred Revenue	359	346
	Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt (Note 3)	286	153
5.	Borrowings (Note 4):		
	Bonds and Debentures	6,850	6,937
	Canada Pension Plan	1,192	1,203
	Government of Canada	111	117
	Treasury Bills	452	191
	Unamortized Foreign Currency Fluctuation (Note 5)	(111)	(666)
	Total Liabilities	$ 10,301	$ 9,123
	EXCESS OF LIABILITIES OVER FINANCIAL ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE		
	Serial Debentures of School Divisions and Districts (Note 6)	$ 133	$ 148
	Securities Received From the Sale of Land and Buildings (Note 7)	182	182
	Excess of Liabilities over Financial Assets	4,273	4,131
	Total Excess of Liabilities Over Financial Assets and Similar Items	$ 4,588	$ 4,461

Information concerning the Government's Guaranteed and Indirect Liabilities, Financial Commitments and Contingent Liabilities can be found in Notes 9, 11 and 12.

Trust Fund Assets/Liabilities at March 31, 1989 were $ 2,428 million (1988-$ 2,010 million). Further details are displayed in Note 8.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF EXCESS OF LIABILITIES OVER FINANCIAL ASSETS

As at March 31, 1989
(with comparative figures for March 31, 1988)

	($ millions) 1989	1988
BALANCE BEGINNING OF YEAR	$ 4,131	$ 3,460
PRIOR YEARS' ADJUSTMENTS RELATED TO ACCOUNTING POLICY CHANGES		
Amortization of Foreign Currency Fluctuation	–	222
Valuation Allowance Increase	–	137
Criminal Injuries Compensation Board	–	13
	$ 4,131	$ 3,832
DEFICIT FOR THE YEAR	142	299
BALANCE END OF YEAR	$ 4,273	$ 4,131

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 1989

(with comparative figures for the year ended March 31, 1988)

($ millions)

	1989 Budget Estimate	1989 Actual	1988 Actual
REVENUE			
Manitoba Collections:			
Retail Sales Tax	$ 596	$ 595	$ 567
Fuel Taxes	184	187	191
Liquor Commission	153	150	152
Levy for Health and Education	200	199	188
Other Taxes	381	421	285
Fees and Other Revenue	200	192	188
Income Taxes:			
Corporation Income Tax	211	201	167
Individual Income Tax	1,041	1,030	989
Federal Transfers:			
Equalization	656	863	620
Health and Higher Education	455	426	434
Shared Cost and Other	288	279	258
TOTAL REVENUE BEFORE TRANSFER TO FISCAL STABILIZATION FUND	$ 4,365	$ 4,543	$ 4,039
Transfer to Fiscal Stabilization Fund (Note 14)	–	200	–
TOTAL REVENUE	$ 4,365	$ 4,343	$ 4,039
EXPENDITURE (Schedule 6) (Note 15)			
Health and Community Services	$ 1,968	$ 1,938	$ 1,813
Education	792	808	766
Economic and Resource Development	573	555	517
Manitoba Tax Credit Plans	237	236	210
Direct Local Government Assistance	119	120	104
Public Debt	483	375	431
Hydro Rates Stabilization	5	44	53
Consumer Services, Public Protection and Other Government Services	414	409	369
	$ 4,591	$ 4,485	$ 4,263
Less: Year End Lapse	30	–	–
TOTAL BEFORE EXTRAORDINARY EXPENDITURE	$ 4,561	$ 4,485	$ 4,263
EXTRAORDINARY EXPENDITURE			
Workers Compensation Board	–	–	16
Manitoba Public Insurance Corporation	–	–	59
TOTAL EXPENDITURE	$ 4,561	$ 4,485	$ 4,338
DEFICIT FOR THE YEAR	$ 196	$ 142	$ 299

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1989
(with comparative figures for the year ended March 31, 1988)

($ millions)

	1989 Budget Estimate	1989 Actual	1988 Actual
Beginning Cash and Equivalents		$ 848	$ 625
Operating Transactions:			
Deficit for the year	$ (196)	$ (142)	$ (299)
Prior Period Adjustments Related to:			
Liability for Crown Corporation Losses and Expenditure	–	–	(13)
Accrued Interest	–	–	(17)
Non-Cash Items Included in Deficit:			
(Increase) Decrease in Amounts Receivable	–	(4)	(38)
Write-off/Down of Loans, Advances and Long-Term Investments (Note 2)	–	8	10
Increase in Valuation Allowance Charged to Expenditure	–	17	11
Increase (Decrease) in Accounts Payable, Accrued Charges and Deferred Revenue	–	13	(22)
Amortization of Foreign Currency Fluctuation	90	116	150
Amortization of Debt Discount	9	8	8
Cash and Equivalents Required For Operations	$ (97)	$ 16	$ (210)
Investing Transactions (Note 16):			
Acquired/Made	$ (660)	$ (735)	$ (920)
Redeemed/Realized	301	322	298
Cash and Equivalents Required For Investing	$ (359)	$ (413)	$ (622)
Financing Transactions (Note 16):			
Debt Issued: Foreign	N.E.	$ 1,110	$ 1,067
Domestic	N.E.	516	563
	$ 1,288	$ 1,626	$ 1,630
Debt Redeemed: Foreign	(332)	(686)	(323)
Domestic	(122)	(135)	(271)
Payment to (from) Provision for Foreign Currency Losses	–	–	(13)
Increase in Sinking Funds	(166)	(207)	(240)
	$ 668	$ 598	$ 783
Change in Trust Fund	–	319	272
Cash and Equivalents Obtained From Financing	$ 668	$ 917	$ 1,055
Change in Cash and Equivalents During Period	$ 212	$ 520	$ 223
Ending Cash and Equivalents		$ 1,368	$ 848

N.E. Not Estimated

GOVERNMENT OF THE PROVINCE OF MANITOBA

AMOUNTS RECEIVABLE
As at March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE 1

($ millions)

	1989	1988
Tax Revenue:		
Retail Sales Tax	$ 48	$ 47
Motive Fuel Tax	6	7
Gasoline Tax	10	9
Tobacco Tax	8	7
Revenue Act, 1964	5	4
	$ 77	$ 74
Interest Income:		
Province of Manitoba Sinking Fund	$ 31	$ 25
Other Investments	23	13
	$ 54	$ 38
Government of Canada and Other Governments:		
Shared Cost Programs	$ 45	$ 62
Other Income:		
Manitoba Lotteries Foundation	$ 3	$ –
Manitoba Agricultural Credit Corporation	–	1
	$ 3	$ 1
	$ 179	$ 175

GOVERNMENT OF THE PROVINCE OF MANITOBA

LOANS AND ADVANCES
As at March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE 2

($ millions)

	Crown Corporations, Agencies, Boards and Commissions	Other Governments	Other	1989 Total	1988 Total
Due 1 Year or Less	$ 499	$ 1	$ 23	$ 523	$ 428
Due Over 1 Year	3,816	8	35	3,859	3,394
Total	$ 4,315	$ 9	$ 58	$ 4,382	$ 3,822
Less: Sinking Funds	172	–	–	172	151
	$ 4,143	$ 9	$ 58	$ 4,210	$ 3,671
Less: Valuation Allowance	46	–	21	67	60
Net	$ 4,097	$ 9	$ 37	$ 4,143	$ 3,611

GOVERNMENT OF THE PROVINCE OF MANITOBA

LONG-TERM INVESTMENTS
As at March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE 3

($ millions)

	Crown Corporations	Other	1989 Total	1988 Total
Shares:				
Common	$ 42	$ 5	$ 47	$ 50
Preferred	109	–	109	109
Debentures	3	–	3	4
Profit Sharing Agreement	–	11	11	11
	$ 154	$ 16	$ 170	$ 174
Less: Valuation Allowance	133	14	147	146
Net	$ 21	$ 2	$ 23	$ 28

GOVERNMENT OF THE PROVINCE OF MANITOBA

ACCOUNTS PAYABLE, ACCRUED CHARGES AND DEFERRED REVENUE

As at March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE 4

	($ millions) 1989	1988
Accounts Payable	$ 101	$ 49
Accrued Charges		
Interest accrued on Provincial Borrowings and Trust Funds	198	189
Other Accrued Liabilities (Note 10):		
Manitoba Public Insurance Corporation	32	59
Workers Compensation Board	–	16
Criminal Injuries Compensation Board	17	15
Manitoba Development Corporation	–	6
Manitoba Milk Producers Marketing Board	2	–
Other	2	1
Deferred Revenue	7	11
	$ 359	$ 346

GOVERNMENT OF THE PROVINCE OF MANITOBA

SCHEDULE OF LIABILITIES FOR BORROWINGS
As At March 31, 1989
(with comparative figures for March 31, 1988)

SCHEDULE 5

($ millions)

Fiscal Year of Maturity	Bonds and Debentures Cdn $	Bonds and Debentures US $	Bonds and Debentures Other	Canada Pension Plan Cdn $	Govt of Canada Cdn $	Treas Bills Cdn $	Totals 1989	Totals 1988
1989	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 783
1990	368	313	72	45	5	650	1,453	482
1991	501	119	79	52	5	–	756	765
1992	134	179	110	54	5	–	482	529
1993	892	137	110	57	5	–	1,201	813
1994	44	175	385	64	5	–	673	747
1989-1994	$ 1,939	$ 923	$ 756	$ 272	$ 25	$ 650	$ 4,565	$ 4,119
1995-1999	$ 853	$ 2,015	$ 791	$ 435	$ 26	$ –	$ 4,120	$ 3,795
2000-2009	25	–	–	1,202	79	–	1,306	1,576
2010-2019	–	358	–	–	–	–	358	431
1995-2019	$ 878	$ 2,373	$ 791	$ 1,637	$ 105	$ –	$ 5,784	$ 5,802
Total Borrowings	$ 2,817	$ 3,296	$ 1,547	$ 1,909	$ 130	$ 650	$ 10,349	$ 9,921
Reduced By:								
Unamortized Debt Issue Costs	12	22	10	–	–	–	44	44
Debt of the Province of Manitoba held as provincial investments	–	–	–	–	–	198	198	134
Sinking Funds Provided	330	318	118	717	19	–	1,502	1,295
	$ 2,475	$ 2,956	$ 1,419	$ 1,192	$ 111	$ 452	$ 8,605	$ 8,448

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXPENDITURE BY OBJECT

SCHEDULE 6

For the year ended March 31, 1989
(with comparative figures for the year ended March 31, 1988)

	($ millions) 1989	1988
Personnel Services	$ 625	$ 593
Grants/Transfer Payments	2,507	2,392
Transportation	18	13
Communications	23	21
Supplies and Services	260	239
Social Assistance Related	308	292
Other Operating	43	51
Public Debt	376	431
Hydro Rates Stabilization	44	53
	$ 4,204	$ 4,085
Capital Related	281	253
	$ 4,485	$ 4,338

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies followed by the Government of the Province of Manitoba, which have been applied in the preparation of the Operating Fund Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

The financial operations of provincial Crown corporations, agencies, boards and commissions are not consolidated and are reflected in the Operating Fund financial statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. GROSS ACCOUNTING CONCEPT

Revenues and expenditures are recorded in gross amounts with the following exceptions:

a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government.

b) Refunds of revenue are treated as reductions of current year revenue.

c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.

d) Recoveries from Crown corporations and government agencies of the debt servicing costs on self-supporting debt are recorded as a reduction of Public Debt expenditure. The same treatment is also given to income earned on investments and advances.

e) Transfers to and from the Fiscal Stabilization Fund, under the provisions of the Fiscal Stabilization Fund Act, are applied directly against revenue.

2. MODIFIED ACCRUAL ACCOUNTING

The revenues and expenditures of the Government are recorded on an accrual basis with exceptions noted as follows:

a) INCOME FROM CANADA-MANITOBA FISCAL ARRANGEMENTS - This income is recorded on a cash basis with three exceptions:

i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;

ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and

iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.

b) FEES AND OTHER REVENUE - Collections are recorded on a cash basis except for amounts received in April from Agents for provincially collected taxes pertaining to the year just ended which are recorded as revenue receivable.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) SALARIES AND WAGES - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.

d) PENSION - The annual cost recorded by the Government is its share of pensions paid to retired employees, teachers and members of the Legislative Assembly.

The Government does not record its liability for the annual cost of pension benefits earned by the civil service, teachers and members of the Legislative Assembly.

e) GOODS AND SERVICES - A period of forty-five days after the end of the fiscal year is allowed for the payment of operating expenditures incurred during that fiscal year. Payments in this period are reflected as accounts payable for the fiscal year just ended. Supplier accounts not paid within this period are treated as expenditures of the following year.

However, recording of expenditures is allowed after the forty-five day period if required to show the accurate financial condition of the Government, pursuant to authority provided under Section 8 of the Financial Administration Act. In this regard, any entries made after June 30 must be disclosed in the Public Accounts.

f) CAPITAL ASSETS AND INVENTORIES - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure on the same basis as Goods and Services

C. ASSETS AND LIABILITIES

1. Except for deferred revenue, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government on other parties and the liabilities are claims by other parties on the Government.

   Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year end.

3. Loans, advances and long-term investments held by the Government are subject to annual valuation.

   A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely, decreases in the valuation allowance are treated as a reduction of expenditures.

   Loans, advances or long-term investments may be written-down in the accounts of the Government pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise, it is recorded at cost.

4. Investments included in Cash and Equivalents and the Province of Manitoba Sinking Fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining Sinking Funds are shown at cost and do not reflect any amortization of investment premium or discount.

   Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

   Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account and amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in deferred revenue.

Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account, and amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is recorded through the Unamortized Foreign Currency Fluctuation account and is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue, whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt raised for the purpose of retiring a specific debt issued on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on Investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act and are reflected as a reduction of Borrowings.

D. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown corporations, agencies, boards and commissions and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown corporations, agencies, boards and commissions. These Sinking Funds are held in Trust by the Minister of Finance. The Crown corporation, agency, board or commission to whom the debt applies make annual contributions to the Sinking Fund.

Contingent Liabilities that result from other financial activities of the Government are reported in the notes to the financial statements.

2. VALUATION ALLOWANCE

The valuation allowance is determined as follows:

A. CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS — LOANS, ADVANCES AND LONG-TERM INVESTMENTS

1. OPERATING DEFICITS

The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. NON-RECOVERY OF CAPITAL INVESTMENT

A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

3. MANITOBA PROPERTIES INC.

Beginning in 1988-89 but not retroactive, the annual valuation allowances in relation to advances to Manitoba Properties Inc. include provision for advances made in relation to capital expenditure as well as operating deficits.

If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses, that are other than temporary declines, in value of the Government's investments in other than Crown corporations, agencies, boards and commissions. The valuation allowance is based on an annual valuation of the investment.

C. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

The March 31 valuation allowance balance of $214 million (1988-$206 million) is after having given effect to the write down of some loans, advances and long-term investments where it has been determined that the realizable value has been permanently impaired:

	($ millions) 1989	1988
Manitoba Agricultural Credit Corporation	$ 5	$ 4
Insulation Loan Program	2	–
Emergency Interest Rate Relief Program	1	–
Manitoba Energy Authority	–	3
Venture Capital Program	–	2
Other	–	1
	$ 8	$ 10

3. PROVISION FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April 1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987. At March 31, 1989, the amortized amount remaining in the Province's Provision account for these U.S. issues is $153 million. The Province retained responsibility for the fluctuation, in currencies other than U.S. dollars, for both its direct and guaranteed debt for Manitoba Hydro outstanding at March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account by $133 million to cover the total fluctuation in the value of this foreign debt. In order to accomplish this, the Province made an additional charge of $64 million to its Hydro Rates Stabilization expenditure for 1988-89.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of $286 million at March 31, 1989 represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

4. BORROWINGS

All borrowings are expressed in Canadian dollars. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year end.

The weighted average rate of interest based on actual interest payments made during 1988-89 was 10.05% (1988-10.52%).

The classification of borrowings by purpose is as follows:

	Exchange Rate in Effect at Issue Date		Exchange Rate in Effect at March 31	
	1989	1988	1989	1988
	($ millions)		($ millions)	
General Government Programs	$ 5,884	$ 5,118	$ 6,179	$ 5,907
The Manitoba Hydro Electric Board	2,841	2,531	2,938	2,745
The Manitoba Telephone System	537	562	537	564
Other	695	705	695	705
	$ 9,957	$ 8,916	$ 10,349	$ 9,921
Less:				
Sinking Funds	1,502	1,295	1,502	1,295
Debt of the Province of Manitoba held as provincial investments	198	134	198	134
Unamortized Debt Issue Costs	44	44	44	44
	$ 8,213	$ 7,443	$ 8,605	$ 8,448

Money is allocated annually to the Province of Manitoba sinking funds on the following basis:

A. a sum equal to 3% of the aggregate amount of general purpose debt, in Canadian Dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and

B. all earnings derived from investing the sinking fund.

In addition, principal repayments of advances by agencies which are funded by the issue of provincial securities are deposited to the sinking fund provided that the principal repayments are made prior to the maturity date of such securities.

The total shown for sinking funds covers the general purpose debt of the Province and includes sinking fund money provided by Crown corporations, agencies, boards and commissions with respect to debt incurred on their behalf by the Government.

Included in "Other" is debt totalling $162 million which has been used to fund loans, advances and investments for which valuation allowances have been established at March 31, 1989 (1988-$166 million). If write-off of these assets occurs, this debt would be considered to be General Government Programs debt.

5. UNAMORTIZED FOREIGN CURRENCY FLUCTUATION

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamortized portion of realized foreign currency gains or losses on the conversion of the foreign currency debt called prior to maturity using the rates in effect at the time of the call.

6. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Consolidated Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

7. SECURITIES RECEIVED FROM SALE OF LAND AND BUILDINGS

During 1984-85 and 1985-86 the Government sold land and buildings with an aggregate value of $917 million to Manitoba Properties Inc. (MPI). The sale was arranged through two intermediary Crown corporations, Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc., and resulted in the Government receiving common shares of these two corporations along with promissory notes of MPI and cash as the purchase consideration.

The recorded value of the common shares has been reduced by a special valuation account which was established from a portion of the sale proceeds and is used to reflect the potential diminution in value of these shares as the result of dividends paid to preferred shareholders of Manitoba Properties Inc. on an annual basis. Manitoba Properties Leasing Inc. and Manitoba Properties Management Inc. each own 50% of the common shares of

Manitoba Properties Inc. and the value of their equity in these shares could decrease annually with the payment of dividends by the latter to preferred shareholders.

Interest payable to the Province on the promissory notes is funded from annual rental payments made by the Government to Manitoba Properties Inc. and is therefore dependent on future appropriations of the Consolidated Fund. These securities are therefore included under this category because they do not represent a claim on other parties.

8. TRUST FUND

Included in the Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown corporations, agencies, boards and commissions, as well as the Fiscal Stabilization Fund, on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. The assets and liabilities of the Trust Fund itself as at March 31st are as follows:

ASSETS	($ millions) 1989	1988
Amounts due from Operating Fund	$ 1,161	$ 842
Cash and Investments	672	586
Total Trust Assets	$ 1,833	$ 1,428
LIABILITIES		
Trust Fund Balances	$ 1,833	$ 1,428
Total Trust Liabilities	$ 1,833	$ 1,428

In addition, the Trust Fund includes cash and securities for which the Government's responsibility is custodial in nature. The amount reported at March 31, 1989 was $595 million (1988-$582 million).

9. GUARANTEED AND INDIRECT LIABILITIES

Debt issued by Crown corporations, agencies, boards and commissions which is guaranteed by the Government as at March 31st:

	($ millions) 1989	1988
Self-supporting debt	$ 1,604	$ 1,542
Debt of Crown corporations whose main source of income is the Consolidated Fund	399	399
Debt serviced in whole or in part from the Consolidated Fund	10	10
	$ 2,013	$ 1,951
LESS: Applicable Sinking Funds	277	263
	$ 1,736	$ 1,688

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt.

10. OTHER ACCRUED LIABILITIES

The Province has accrued a liability at March 31, 1989 for losses or program expenditures in order to recognize the Province's responsibility to fund these amounts when they become payable:

	($ millions) 1989	1988
Manitoba Public Insurance Corporation:		
- Reinsurance Assumed Losses	$ 32	$ 32
- Personal and Commercial Losses	–	27
Workers Compensation Board - Reimbursement of interest forfeited on employer assessments	–	16
Criminal Injuries Compensation Board - Unfunded future costs of compensation awards	17	15
Manitoba Development Corporation - Additional provision for warranty costs related to Flyer Industries Ltd. divestiture	–	6
Manitoba Milk Producers Marketing Board	2	–
Other	2	1
	$ 53	$ 97

11. FINANCIAL COMMITMENTS

The Government has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Consolidated Fund. The Government has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	($ millions) 1989	1988
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and Personal Care Homes	$ 429	$ 405
Public Schools	272	252
Manitoba Housing and Renewal Corporation	229	229
Manitoba Water Services Board	2	2
Brandon University	3	3
	$ 935	$ 891
FUTURE COMMITMENTS:		
Acquisition of Physical Assets	81	79
Rental of Physical Assets	94	164
	$1,110	$1,134

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $72.5 million (1988-$72.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

12. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	Maximum Guarantee	Amount Outstanding March 31, 1989	March 31, 1988
		($ millions)	
Mortgages	$ 1	$ 1	$ 1
Promissory Notes	175	3	–
Bank Loans and Lines of Credit	38	22	16
	$ 214	$ 26	$ 17

This does not include guarantees that may be provided by Crown corporations, agencies, boards and commissions under their own separate authority.

The Province has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including $53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government has been named in approximately 100 legal actions, outstanding at March 31, 1989, which may result in future liabilities. As well, there are approximately 300 other claims outstanding in respect of damages to persons and property and like items. No provision has been made at March 31, 1989 in the accounts of the Province as the outcome of these actions and claims is uncertain.

13. PENSION LIABILITY

The Province is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired teachers. Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Province to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

An actuarial valuation and report of the Government's liability to the Civil Service Superannuation Fund was determined as at December 31, 1988. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis at approximately $393 million as at December 31, 1988 (1987-approximately $346 million). The liability of the Province to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The reserve which is indexed and held in the Teachers'

Retirement Allowances Fund, representing the employees' obligation towards the total pension liability, amounted to $597 million as at December 31, 1988 (1987-$533 million). The Province's liability should approximate these amounts.

14. FISCAL STABILIZATION FUND

The Fiscal Stabilization Fund was established effective March 31, 1989 under authority of the Fiscal Stabilization Fund Act. The purpose of the fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term planning. Under authority of the Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may deposit in the Fund any part of the revenue or other financial assets received in any fiscal year, and may transfer any part of the Fund to revenue of the Consolidated Fund.

If the Fiscal Stabilizaton Fund were consolidated in the financial statements of the Government, the net result for the Operating Fund would have been a surplus for the year of $58 million.

15. LEGISLATIVE AUTHORITY FOR BORROWING AND EXPENDITURE

Order-in-council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding $350 million at any one time.

Limits established by legislation for borrowing funds and for expenditure from appropriations are shown below along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

A) **BORROWING:**

	($ millions) Appropriation Acts	Loan Acts
Incremental Non-Lapsing Authority Provided in 1988 Acts	$ 300	$ 271
Amount Used During the Fiscal Year Ended March 31, 1989	280	18
Available for Future Years	$ 20	$ 253
Unused Borrowing Authority From Prior Years	–	1,617
	$ 20	$ 1,870
Less: Encumbered for Specific Purposes	–	71
Unencumbered Borrowing Authority at March 31, 1989	$ 20	$ 1,799

B) **EXPENDITURE:**

1) CHANGES FROM ORIGINAL BUDGET ESTIMATE

The budget estimate shown on the Statement of Revenue and Expenditure consists of the original estimates as contained in the budget address delivered by the Minister of Finance on August 8, 1988.

The 1988-89 expenditure estimate of $4,561 million included an estimated saving of $30 million expected from lapsing expenditure authority in various appropriations. Because the specific appropriations were not identifiable, gross appropriation expenditure authority totalling $4,591 was voted and authorized in the Main Estimates. This amount was increased during the fiscal year as follows:

	($ millions)
Main and Supplementary Estimates (including general statutory appropriations)	$ 4,591
Increased by Special Warrants	67
Adjustment of estimated amount of statutory appropriations to actual expenditure	(68)
Total Authorized Expenditure	$ 4,590

2) NON-COMPLIANCE WITH APPROPRIATION LIMITS

i) The following two voted appropriations of the Government were placed in a net overexpended position as a result of adjustments made to reflect accounting policies on valuation allowance and Crown corporation deficits:

Industry, Trade and Tourism X-8 Emergency Interest Rate Relief Program	$ 20,143
Northern Affairs XIX-1 Administration and Finance	386,766

ii) Four appropriations of the Government had late accounts paid in the 1989-90 fiscal year that were in excess of the balance remaining in the appropriation at March 31, 1989. These late accounts paid subsequent to 45 days after year end are excluded from March 31, 1989 liabilities by the existing accounting policy. These late accounts result in non-compliance with appropriation limits established for the respective programs.

16. COMPARISON TO BUDGET ESTIMATE

For purposes of providing a meaningful comparison of changes in the financial position with the budget estimate, in addition to the budget data, other internally developed management information has also been included in the budget estimate information.

17. EXPENDITURES RELATED TO CAPITAL

The Government has substantial holdings of physical assets such as buildings, highways, education and health facilities, which will be used to provide services in future periods and may tend to appreciate in value over time. However, these do not represent claims on others and are therefore not reported as assets, but rather as expenditures. Such expenditures are classified as "Expenditures Related to Capital" in the Main Estimates of Expenditure. This classification is defined as follows:

A. expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year;

B. expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces or by contractors on behalf of the Government and which significantly prolong the expected economic life of the asset;

C. the principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the Consolidated Fund as an expenditure;

D. grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purchase, construction or improvement of physical assets.

18. SUBSEQUENT EVENTS

A. The Government's interest in Manfor Ltd. was sold to Repap Enterprises Inc. as of May 4, 1989.

B. In June of 1989, some of the shareholders exercised their retraction privilege with respect to preferred shares issued by Manitoba Properties Inc., and retracted (1,068,208 shares at $25 per share) $26,705,200.

19. ENTRIES MADE SUBSEQUENT TO JUNE 30, 1989

Section 8(2) of the Financial Administration Act requires disclosure of entries made after June 30 respecting transactions of the preceding year. Accordingly, the following are reported:

A. WRITE-OFF OF LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Authorization for the write-off of $7 million, of the $8 million of loans, advances and long-term investments as detailed in note 2 of these statements, was provided by ministerial certificates 350 and 351, approved on June 21 and July 11, 1989 respectively and by orders in council 776/89, approved on July 6, 1989, and 1193/89, approved on October 11, 1989, and was effective retroactively to March 31, 1989.

B. VALUATION ALLOWANCES

Valuation allowances are calculated as near as possible to statement preparation time in order to ensure the most accurate provisions.

C. ENTRIES REFLECTING LEGISLATIVE CHANGES

The Fiscal Stabilization Fund Act and the amendments to the Energy Rate Stabilization Act were passed in December, 1989 at which time the related entries were made.

D. RECORDING OF LOTTERIES REVENUE

Authorization for the transfer of funds from the Lotteries Foundation to Operating Fund revenue was provided by orders in council 967/89,968/89, and 969/89, and was retroactive to March 31, 1989.

E. OTHER

An adjustment to reflect outstanding liabilities of $1 million at March 31, 1989 related to the Government's social allowances program was made in August of 1989.

20. COMPARATIVE FIGURES

Certain of the 1988 financial statement figures have been restated to be consistent with the 1989 presentation.

GOVERNMENT OF THE PROVINCE OF MANITOBA
TRUST FUND ASSETS AND LIABILITIES
As at March 31, 1989
(with Comparative Figures for March 31, 1988)

ASSETS	March 31, 1989	March 31, 1988
Amount Due from Operating Fund	$ 1,161,504,695	$ 842,266,330
Cash and Investments	671,887,740	585,723,258
	$ 1,833,392,435	$ 1,427,989,588
LIABILITIES		
Trust Fund Balances	$ 1,833,392,435	$ 1,427,989,588
CUSTODIAL TRUST FUNDS		
Cash, Bonds and Other Securities held by the Department of Finance and Other Government Departments - as listed on page 5-23	$ 594,313,153	$ 582,183,584

GOVERNMENT OF THE PROVINCE OF MANITOBA

CASH AND INVESTMENTS

As at March 31, 1989
(with Comparative Figures for March 31, 1988)

	March 31, 1989	March 31, 1988
SINKING FUNDS:		
Sinking Fund Investments held for Bonds issued by Crown Corporations, Agencies Boards and Commissions:		
Manitoba Hydro-Electric Board	$ 223,722,812	$ 212,399,079
Manitoba Telephone System	43,371,722	39,716,197
Manitoba Water Services Board	–	20,491
Manitoba Housing and Renewal Corporation	11,326,594	8,827,059
University of Manitoba	6,758,442	6,759,658
	$ 285,179,570	$ 267,722,484
FUNDS ON DEPOSIT FOR INVESTMENT:		
Manitoba Hydro-Electric Board Contingency Reserve:		
Manitoba Hydro-Electric Board Bonds	$ 1,917,098	$ 1,917,098
Manitoba Public Insurance Corporation:		
Province of Manitoba Debentures	$ 88,425,984	$ 88,507,995
Manitoba Hydro-Electric Board Bonds	20,481,093	21,586,018
Manitoba Telephone System Bonds	20,837,103	20,837,103
Hospital Debentures	43,173,328	42,914,000
Cities, Villages, Towns and Rural Municipalities	32,404,820	29,483,870
School Divisions	80,750,453	48,427,776
Ontario Hydro Bonds	27,253,300	24,757,900
Quebec Hydro Bonds	17,513,750	–
B.C. Hydro and Power Authority Bonds	1,941,800	–
Province of Quebec Debentures	1,961,600	–
Government of Canada Bonds	14,825,000	14,825,000
	$ 349,568,231	$ 291,339,662
Public Service Group Insurance Fund:		
Government of Canada Bonds	$ 18,294,334	$ 15,262,208
Government of Canada Treasury Bills	7,239,016	905,520
Ontario Hydro Bonds	3,458,835	2,954,986
British Columbia Hydro Bonds	545,586	–
	$ 29,537,771	$ 19,122,714
Northern Flood Agreement:		
Quebec Hydro Bonds	$ 550,000	$ 550,000
Winnipeg School Division Debentures	708,416	722,348
	$ 1,258,416	$ 1,272,348
	$ 382,281,516	$ 313,651,822
Miscellaneous Trusts:		
Suitors' Money Act		
Cash in Canadian Imperial Bank of Commerce	$ 4,426,654	$ 4,348,952
	$ 671,887,740	$ 585,723,258

GOVERNMENT OF THE PROVINCE OF MANITOBA

TRUST FUND BALANCES

As at March 31, 1989
(With Comparative Figures for March 31, 1988 and Displaying
Receipts, Disbursements and Transfers for the Year Ended March 31, 1989)

	Balance March 31,1988	Receipts/ Transfers	Disbursements/ Transfers	Balance March 31,1989
SINKING FUNDS:				
Sinking Fund Contributions by Utilities and Others for own Direct Debt:				
Manitoba Hydro-Electric Board	$ 212,399,079	$ 213,802,002	$ 202,478,269	$ 223,722,812
Manitoba Telephone System	39,716,197	30,205,103	26,549,578	43,371,722
Manitoba Water Services Board	775,261	327,497	266,257	836,501
Manitoba Housing and Renewal Corporation	8,827,059	13,946,874	11,447,339	11,326,594
University of Manitoba	9,911,146	878,233	1,759,912	9,029,467
	$ 271,628,742	$ 259,159,709	$ 242,501,355	$ 288,287,096
FUNDS ON DEPOSIT FOR INVESTMENT:				
Attorney-General	$ 35,768	$ 51,599	$ 77,103	$ 10,264
Churchill Forest Industries In Receivership	228,636	48,000	–	276,636
Civil Service Superannuation Fund ..	8,595,284	65,507,957	70,632,500	3,470,741
Co-operative Promotion Board	52,000	–	–	52,000
Department of Education - Post Adult Career Education	98,872	316,979	380,190	35,661
Department of Health - Schizophrenic Research	25,409	2,416	–	27,825
Department of Labour - Employment Standards	15,458	4,337	5,790	14,005
Employee Charitable Donations	762,210	682,879	582,497	862,592
Fiscal Stabilization Fund	–	200,000,000	–	200,000,000
Hudson Bay Co. Archives	68,198	4,801	–	72,999
Leaf Rapids Town Properties Ltd. ...	708,680	372,909	391,858	689,731
Manitoba Arts Council	1,090,000	2,315,000	1,580,000	1,825,000
Manitoba Beef Commission	2,000,000	15,000,000	16,500,000	500,000
Manitoba Centennial Corporation	450,368	1,436,032	1,455,134	431,266
Manitoba Centennial Foundation of the Future	16,296	1,627	–	17,923
Manitoba Crop Insurance Corporation	4,000,000	2,700,000	–	6,700,000
Manitoba Data Services	5,100,000	3,875,000	1,175,000	7,800,000
Manitoba Development Corporation-Tourism Agreement	974,699	5,204	83,830	896,073
Manitoba Development Corporation-Tourism/85 Agreement	167,216	116,534	–	283,750
Manitoba Health Services Debenture .	868,041	2,840,443	2,901,705	806,779
Manitoba Health Services - Other	2,527,958	1,426,339	1,403,703	2,550,594
Manitoba Hog Producers Marketing Board	6,700,000	12,000,000	11,500,000	7,200,000
Manitoba Housing and Renewal Corporation	14,874,299	35,033,082	36,611,295	13,296,086
Manitoba Housing and Renewal Corporation - Insurance Fees	210,411	22,905	–	233,316
Manitoba Hydro-Electric Board	228,000,000	612,000,000	529,000,000	311,000,000
Manitoba Hydro-Electric Board Contingency Reserve	1,917,098	149,639	149,639	1,917,098
Manitoba Law Foundation	2,377,603	1,676,359	2,262,603	1,791,359
Manitoba Lottery and Other Proceeds -				
Manitoba Lotteries Foundation	11,000,000	26,200,000	21,000,000	16,200,000
Amateur Sport	6,131,866	425,458	3,953,379	2,603,945
Culture, Heritage and Recreation Fund	19,250,000	5,900,000	10,390,000	14,760,000
Carried Forward	$ 318,246,370	$ 990,115,499	$ 712,036,226	$ 596,325,643

TRUST FUND FINANCIAL STATEMENTS

	Balance March 31,1988	Receipts/ Transfers	Disbursements/ Transfers	Balance March 31,1989
Brought Forward	$ 318,246,370	$ 990,115,499	$ 712,036,226	$ 596,325,643
Community Places Program	14,000,000	5,000,000	5,250,000	13,750,000
Fitness Development	715,698	69,451	–	785,149
Intercultural	1,194,555	756,648	586,188	1,365,015
Planning and Research	290,266	27,881	–	318,147
Manitoba Milk Producers' Marketing Board	3,023,500	109,450,000	110,950,000	1,523,500
Manitoba Mineral Resources Ltd.	4,511,854	28,046,634	22,059,354	10,499,134
Manitoba Public Insurance Corporation	456,644,384	267,255,636	159,908,013	563,992,007
Manitoba Research Council	1,348,892	368,964	600,000	1,117,856
Manitoba Developmental Centre	115,000	707	–	115,707
Manitoba Telephone System	50,063,573	197,901,251	232,184,824	15,800,000
Municipal Employees' Benefit Fund	2,689,472	5,444,402	4,658,104	3,475,770
Northern Flood Agreement	1,376,304	145,155	34,000	1,487,459
Northern Flood Committee	–	5,000,000	–	5,000,000
Public Service Group Insurance Fund	27,905,009	4,859,735	306,779	32,457,965
Public Trustee	4,600,000	31,050,000	32,850,000	2,800,000
Rentalsman	142,254	574	26,891	115,937
Red River Community College - Student Building	109,342	53,789	128,765	34,366
Teachers' Retirement Allowance Fund	87,500,000	125,940,000	137,825,000	75,615,000
Victims Assistance Fund	478,644	671,264	–	1,149,908
Welfare Administered Trust	130,000	–	–	130,000
Workers' Cancer Study	33,849	–	–	33,849
Workers' Compensation Board	38,917,127	167,544,368	154,359,356	52,102,139
	$ 1,014,056,093	$ 1,939,701,958	$ 1,573,763,500	$ 1,379,994,551
BANKING FACILITY ACCOUNTS:				
Manitoba Agricultural Credit Corporation	$ 2,679,789	$ 103,594,525	$ 101,681,902	$ 4,792,412
Manitoba Beef Commission	2,859,234	5,781,775	6,881,894	1,759,115
Manitoba Crop Insurance Corporation				
General	2,748,937	40,608,389	40,643,076	2,714,250
Hail Insurance	862,106	4,890,772	5,305,050	467,828
Reinsurance Account	8,866,330	6,151,351	884,856	14,152,825
Manitoba Hazardous Waste Management Corporation	318,559	1,124,302	1,327,316	115,545
Manitoba Law Foundation	107	500	569	38
Manitoba Potash Corporation	74,967	686,902	688,456	73,413
Manitoba Properties Inc.	3,979	3,297,438	2,536,522	764,895
Manitoba Research Council	372,760	6,584,044	6,940,863	15,941
Manitoba Text Book Bureau	2,840,146	8,609,203	8,548,892	2,900,457
Manitoba Trading Corporation	503,910	1,805	100	505,615
Manitoba Water Services Board	544,870	45,643,930	45,839,234	349,566
Minister of Municipal Affairs	1,030,159	5,949,801	6,134,678	845,282
	$ 23,945,853	$ 232,924,737	$ 227,413,408	$ 29,457,182
OPERATING TRUSTS:				
Manitoba Lotteries Foundation - Culture, Heritage and Recreation Program	$ 79,373	$ 26,579,208	$ 25,315,911	$ 1,342,670
Community Places Program	292,178	16,578,336	13,288,328	3,582,186
Amateur Sport	764,801	10,127,585	9,638,727	1,273,659
Fitness Development	101,788	324,564	235,491	190,861
Planning and Research	6,817	91,928	15,087	83,658
The Mining Community Reserve	4,691,698	5,122,981	180,989	9,633,690
Veterinary Science Scholarship Fund	12,470	11,650	16,650	7,470
	$ 5,969,125	$ 58,836,252	$ 48,691,183	$ 16,114,194

	Balance March 31,1988	Receipts/ Transfers	Disbursements/ Transfers	Balance March 31,1989
MISCELLANEOUS TRUSTS:				
School Divisions Reserve Fund	$ 1,143,750	$ 119,623	$ 321,954	$ 941,419
Amounts Collected on Behalf of Municipalities and Local Governments re: Permits and Leases	6,805	2,685,844	2,684,262	8,387
Builders' Lien Act	2,345,705	7,666,303	7,781,081	2,230,927
Communities Economic Development Fund	–	1,672,000	90,000	1,582,000
Consumer Protection Act	37,721	14,130	18,471	33,380
Contractual Holdbacks	163,288	668,631	606,851	225,068
Employee Charitable Donations	1,186	582,511	583,624	73
Environmental Health	3,720	–	–	3,720
Fires Prevention Fund	4,756,582	2,917,455	1,813,588	5,860,449
Guarantee Deposits	2,153,172	1,015,769	483,168	2,685,773
Highway Traffic Act	10,200	27,974	27,842	10,332
Health Services Insurance Act	–	2,098,745	–	2,098,745
Hudson Bay Co. Archives	–	7,282	5,331	1,951
International Student Program	–	114,076	72,938	41,138
Land Titles Assurance Fund	118,428	35,423	–	153,851
Manitoba Health Services Commission	56,541,368	98,004,003	96,079,997	58,465,374
Manitoba Hydro Provincial Sales Tax Rebate - Indian Bands	29,845	–	–	29,845
Manitoba Jobs Fund	5,422,047	–	1,966,633	3,455,414
Manitoba Oil and Gas Corporation	2,800,000	–	2,800,000	–
Manitoba Public Insurance Corporation	364,300	329,070,738	328,970,343	464,695
Mortgage Insurance Fund	440,931	127,983	117,805	451,109
Oak Hammock Marsh Conservation	–	318	251	67
Private Vocational Schools Act Surety Claims	–	11,200	–	11,200
Public Schools Finance Board	31,151,838	32,986,564	31,924,700	32,213,702
Red River Community College - Student Union Building	206	128,792	127,943	1,055
Sherridan Mines - Rehabilitation	35,944	303	35,272	975
Single Application for Vehicle Registration	–	3,718,751	3,648,400	70,351
Suitors' Money Act	4,348,952	5,325,731	5,248,028	4,426,655
Textbook Fees	1,099	–	–	1,099
Tripartite Stabilization Plan	–	33,439	19,855	13,584
Winnipeg Core Area Land	–	988,379	–	988,379
Winnipeg Core Area Land Acquisition	–	5,302,855	2,692,206	2,610,649
Victims Assistance Fund	238,321	688,503	758,206	168,618
Other	274,367	1,154,488	1,139,427	289,428
	$ 112,389,775	$ 497,167,813	$ 490,018,176	$ 119,539,412
	$ 1,427,989,588	$ 2,987,790,469	$ 2,582,387,622	$ 1,833,392,435

GOVERNMENT OF THE PROVINCE OF MANITOBA

TRUST FUND ACCOUNTING POLICIES

The Trust Fund is divided into two primary divisions, Administered Trusts and Custodial Trusts. Those trusts where the Government has the responsibility for the administration and for investment of the trust are considered Administered Trusts. Those trusts where the Government responsibility is custodial in nature and there is little or no administration responsibility are considered Custodial Trusts. Generally, the responsibility for investment of Custodial Trust is that of the depositor.

Administered Trusts are divided into five categories:

1. Sinking Funds — This category includes sinking fund contributions deposited with the Minister of Finance by Crown corporations, agencies, boards and commissions in respect of their direct debt.

2. Funds on Deposit for Investment — Funds surplus to the immediate cash requirement of Crown corporations, agencies, boards and commissions are deposited for investment with the Minister of Finance.

   Although certain of these deposits are covered by specific investments in the Trust Fund, the majority of these funds are invested with the Minister of Finance and interest is paid at market rate in accordance with the term of the investment.

3. Banking Facility Accounts — These accounts are operated for those Crown corporations, agencies, boards and commissions who bank with the Minister of Finance.

4. Operating Trusts — Certain trusts are established where legislation or agreements require receipts and related expenditure to be kept separate from Government revenue and expenditure. These "designated trusts" may, in some cases, be used for programs similar to those operated from appropriated funds but are kept separate because a trust requirement has been established. A separate Statement of Receipts, Disbursements and Transfers is prepared for each of these operating trusts and is published in the Trust Fund section of the Public Accounts.

5. Miscellaneous Trusts — This category contains trust accounts resulting from the sundry deposit of cash and/or securities with the Government.

All Trust Fund Investments, Bonds and Securities are shown at cost.

GOVERNMENT OF THE PROVINCE OF MANITOBA

CUSTODIAL TRUST FUNDS HELD BY THE DEPARTMENT OF FINANCE AND OTHER GOVERNMENT DEPARTMENTS

As at March 31, 1989

	Cash On Hand	Cash In Bank	Bonds and Other Securities	Total
FINANCE:				
Attorney – General	$ –	$ –	$ 16,030	$ 16,030
Civil Service Superannuation Board	–	–	355,644,666	355,644,666
Cooperative, Consumer and Corporate Affairs	–	–	1,933,500	1,933,500
Cooperative Promotion Board	–	–	131,000	131,000
Energy and Mines	–	–	1,677,850	1,677,850
Finance	–	128,491	626,906	755,397
Health	–	–	23,411	23,411
Highways and Transportation	–	–	30,000	30,000
Manitoba Hospital Capital Financing Authority	–	–	3,457,500	3,457,500
Natural Resources	–	–	333,854	333,854
The Public Trustee	–	–	82,140,710	82,140,710
Workers Compensation Board	–	–	143,782,299	143,782,299
OTHER GOVERNMENT DEPARTMENTS:				
Agriculture	5	4,860	–	4,865
Attorney – General	–	1,934,489	833,429	2,767,918
Community Services	1,672	69,324	–	70,996
Cooperative, Consumer and Corporate Affairs	–	1,979	–	1,979
Education	2,919	182,601	93,369	278,889
Health	2,800	49,237	154,061	206,098
Housing	–	40,379	–	40,379
Industry, Trade and Tourism	–	–	73,843	73,843
Labour	–	160,884	–	160,884
Northern Affairs	50	781,035	–	781,085
	$ 7,446	$ 3,353,279	$ 590,952,428	$ 594,313,153

NOTE: The Department of Finance also provides a safekeeping service for various departments, agencies, boards and commissions, including shares as well as other items which are not valued for inclusion in the above Custodial Trust Funds.

Manitoba

REPORT OF THE PROVINCIAL AUDITOR
ON THE FISCAL STABILIZATION FUND
OF THE GOVERNMENT OF THE PROVINCE OF MANITOBA

I report that the financial statements of The Fiscal Stabilization Fund of the Government of the Province of Manitoba, being the statement of financial position as at March 31, 1989 and the statement of revenue and expenditure for the period ended March 31, 1989, have been examined under my direction. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of The Fiscal Stabilization Fund of the Government of the Province of Manitoba as at March 31, 1989 and reflect the transactions processed for the period then ended in accordance with the retroactive legislation establishing the Fund and the accounting policies stated in note 2 to the financial statements.

F.H. Jackson, CA
Provincial Auditor

December 14, 1989
Winnipeg, Manitoba

MG-14821

FISCAL STABILIZATION FUND

Statement of Financial Position
As at March 31, 1989

ASSETS

Funds on Deposit with the Minister of Finance	$ 200,000,000

FUND BALANCE

Fund Balance	$ 200,000,000

FISCAL STABILIZATION FUND

Statement of Revenue and Expenditure
For the Period Ended March 31, 1989

REVENUE:	
Transfer from Operating Fund Revenue	$ 200,000,000
EXPENDITURE	-
	200,000,000
Fund Balance, beginning of period	-
Fund Balance, end of period	$ 200,000,000

FISCAL STABILIZATION FUND

Notes to the Financial Statements
For the Period Ended March 31, 1989

1. The Fiscal Stabilization Fund was established retroactively at March 31, 1989 under authority of the Fiscal Stabilization Fund Act which received Royal Assent on December 13, 1989.

   The purpose of the Fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term fiscal planning.

2. The Fund's financial statements have been prepared on an accrual basis.

Exhibit 5

Manitoba

REPORT OF THE PROVINCIAL AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE PROVINCE OF MANITOBA

I report that the summary financial statements of the Government of the Province of Manitoba, being the consolidated statement of financial position as at March 31, 1989 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended and schedules I to VI have been examined under my direction. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these summary financial statements present information in accordance with the Government's stated accounting policies as set out in Note 1 to the summary financial statements, applied on a basis consistent with that of the preceding year. However, in our opinion, because the Government's reporting entity accounting policy has only been partially implemented, as outlined in the following Reservation and in the notes to the summary financial statements, these summary financial statements do not present fairly the financial position of the government reporting entity as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended.

Reservation: Incomplete accounting of the financial affairs and resources for which the Government is responsible.

The Government has adopted and has begun to implement the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants (PSAAC) pertaining to summary financial statements for the government reporting entity. The Government is working towards full implementation of PSAAC's recommendations commencing with the fiscal year ending March 31, 1991. The summary financial statements for the year ended March 31, 1989 have been prepared to demonstrate the concepts and structure contemplated by PSAAC and do not include all special funds, Crown organizations and other government enterprises which comprise the government reporting entity.

The result is that the Government's summary financial statements do not provide a comprehensive and complete accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible. An estimate of the effects on the March 31, 1989 financial position, operating results and changes in financial position had all Government organizations been included in the summary financial statements is not available.

March 30, 1990
Winnipeg, Manitoba

F. H. Jackson, CA
Provincial Auditor

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Summary Financial Statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a statement of financial position, a statement of revenue and expenditure, a statement of changes in financial position, notes and schedules integral to the statements. Together, to the extent of the consolidation of funds and organizations disclosed under "The Reporting Entity" in Schedule I, they present fairly, in all material respects, the financial condition of the Government Reporting Entity at the fiscal period-end and the results of operations for the year then ended.

On behalf of the Government

Honourable Clayton Manness
Minister of Finance
March, 1990

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1989
(with comparative figures for 1988)

($millions)

SCHEDULE NO.		NOTE NO.	1989	1988
	Cash and equivalents		1,342	810
II	Amounts receivable		266	252
	Loans and advances	3	3,911	3,410
III	Equity in Government enterprises	4	87	72
	Other long-term investments	5	23	28
	TOTAL ASSETS		**5,629**	**4,572**
	LIABILITIES			
	Amount owing to the Trust Fund	6	798	685
IV	Accounts payable, accrued charges, deferred revenue and deferred taxes		527	488
VI	Borrowings	7	9,114	8,406
	Provision for foreign currency fluctuation on Manitoba Hydro Debt	8	286	153
	TOTAL LIABILITIES		**10,725**	**9,732**
	EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE			
	Excess of liabilities over assets:			
	Beginning of year			4,052
	Consolidation adjustments			412
	Beginning of year on a consolidated basis		**5,012**	**4,464**
	Prior year adjustments		-	226
	Consolidated Net (Income)Expenditure		(49)	322
	End of year		**4,963**	**5,012**
	Serial debentures of school divisions and districts	9	133	148
	TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILAR ITEMS		**5,096**	**5,160**

Information concerning the Government's guaranteed and indirect liabilities, financial commitments and contingent liabilities can be found in notes 10, 12 and 13.

Trust Fund assets and liabilities at March 31, 1989 were $1,478 million (1988-$1,279 million). Further details are displayed in note 6.

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1989
(with comparative figures for 1988)

($millions)

	1989	1988
REVENUE		
Tax Revenue:		
Corporation income tax	201	167
Individual income tax	1,030	989
Retail sales tax	595	567
Fuel taxes	187	191
Liquor commission	150	152
Levy for health and education	199	187
Other taxes	426	286
Federal transfers:		
Equalization	863	620
Health and higher education	426	434
Shared cost and other	314	292
Fees and other revenue	500	486
TOTAL REVENUE	**4,891**	**4,371**
EXPENDITURE		
Health and community services	2,038	1,908
Education	1,010	957
Economic and resource development	579	537
Manitoba tax credit plans	236	210
Direct local government assistance	120	104
Public debt	481	532
Hydro rates stabilization	44	53
Consumer services, public protection and other government services	349	319
Extraordinary Expenditure	-	75
TOTAL EXPENDITURE	**4,857**	**4,695**
NET INCOME(EXPENDITURE)	**34**	**(324)**
Increase in equity in government enterprises	15	2
CONSOLIDATED NET INCOME(EXPENDITURE)	**49**	**(322)**

Exhibit 6

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1989
(with comparative figures for 1988)

($millions)

	1989	1988
Cash and equivalents, beginning of year	**810**	**597**
Operating transactions:		
Net income(expenditure) for the year	49	(322)
Prior period adjustments related to:		
Restatement to accounting policy	-	1
Liability for crown corporation losses and expenditure	-	(13)
Accrued interest	-	(17)
Non-cash items:		
Decrease(increase) in amounts receivable	(14)	(45)
Write off of loans advances and long-term investments	8	11
Increase in valuation allowance	7	10
Increase(decrease) in accounts payable, accrued charges, deferred revenue and deferred taxes	39	15
Amortized foreign currency fluctuation	116	150
Amortized debt discount	8	8
Increase in Equity in Government Enterprises	(15)	(2)
Cash and equivalents required for operations	**198**	**(204)**
Investing transactions:		
Acquired/made	(690)	(878)
Redeemed/realized	317	296
Cash and equivalents required for investing	**(373)**	**(582)**
Financing transactions:		
Debt issues: foreign	1,110	1,068
domestic	541	563
Debt redeemed: foreign	(686)	(323)
domestic	(162)	(273)
Provision for foreign currency losses	-	(12)
Increase in sinking funds	(209)	(242)
Change in trust fund	113	218
Cash and equivalents obtained from financing	**707**	**999**
Change in cash and equivalents during the year	**532**	**213**
Cash and equivalents, end of year	**1,342**	**810**

SCHEDULE I

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT FINANCIAL REPORTING ENTITY

SPECIAL FUNDS

* Fires Prevention Fund
* Fiscal Stabilization Fund
* Holdback Accounts - Builders Liens and Contractual
Land Titles Assurance Fund
Man. Lotteries Foundation :
* - Amateur Sport
* - Community Places
* - Culture, Heritage and Recreation
* - Fitness Development
- Intercultural
* - Planning and Research
* Mining Community Reserve
Veterinary Science Scholarship Fund
* Victims Assistance Fund

CORPORATIONS & AGENCIES

* Alcoholism Foundation of Manitoba
A.R.M. Industries Inc.
Brandon University
-Brandon University Holding Co.(subsidiary)
Centre Culturel Franco-Manitobain
Communities Economic Development Fund
Cooperative Loans & Loan Guarantee Board
Cooperative Promotion Board
Credit Union Stabilization Fund
Criminal Injuries Compensation Board
Deer Lodge Centre Inc.
Embalmers & Funeral Directors Act - Board of Administration
Fonds de Securite
Hazardous Waste Management Corporation
Horse Racing Commission
* Legal Aid Services Society
Manitoba Agricultural Credit Corporation
Manitoba Arts Council
Manitoba Beef Commission
Manitoba Boxing and Wrestling Commission
Manitoba Cancer Treatment and Research Foundation
Manitoba Centennial Centre Corporation
Manitoba Crop Insurance Corporation
Manitoba Data Services
Manitoba Development Corporation
Manitoba Energy Authority
Manitoba Habitat Heritage Corporation
Manitoba Health Research Council
* Manitoba Health Services Commission
Manitoba Hospital Capital Financing Authority
* Manitoba Housing and Renewal Corporation

SCHEDULE I
(cont'd)

Manitoba Lotteries Foundation
* Manitoba Properties Inc.
* Manitoba Properties Leasing Inc.(subsidiary)
* Manitoba Properties Management Inc.(subsidiary)
Manitoba Research Council
Manitoba Textbook Bureau
Milk Prices Review Commission
* Public Schools Finance Board
Public Trustee of Manitoba
Rehabilitation Centre for Children
* Universities Grants Commission
University of Manitoba
University of Manitoba Holding Co.(subs)
University of Manitoba Research Inc.(subs)
Westarc Group

GOVERNMENT ENTERPRISES

A. E. McKenzie Co. Ltd.
Channel Area Loggers
Leaf Rapids Town Properties
Liquor Control Commission
Manitoba Hydro
Manitoba Mineral Resources
Manitoba Public Insurance Corporation
* Manitoba Telephone System
Manitoba Trading Corporation
Manitoba Water Services Board
Moose Lake Loggers
Venture Manitoba Tours
Workers Compensation Board

NOTES: 1. Funds, corporations, agencies and enterprises denoted by asterisks (*) are those whose financial results are reflected in the 1988-89 Summary Financial Statements.

2. The operations of the following are reflected through appropriations of the Operating Fund and are not considered to be financially separate organizations:
-Film Classification Board
-Human Resource Opportunity Centres
-Manitoba Adolescent Treatment Centre
-Student Aid Appeal Board
-Veterinary Medical Board

GOVERNMENT OF THE PROVINCE OF MANITOBA
AMOUNTS RECEIVABLE
AS AT MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE II

($millions)

	1989	1988
TAX REVENUE:		
Retail sales tax	48	47
Motive fuel tax	6	7
Gasoline tax	10	9
Tobacco tax	8	7
Revenue Act, 1964	5	4
	77	**74**
INTEREST INCOME:		
Province of Manitoba sinking fund	31	25
Other investments	23	11
	54	**36**
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Shared cost programs	52	68
Canada Mortgage and Housing Corporation	15	10
Municipal corporations	65	63
	132	**141**
OTHER INCOME:		
Manitoba Lotteries Foundation	3	-
Manitoba Agricultural Credit Corporation	-	1
	3	**1**
	266	**252**

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT ENTERPRISES **SCHEDULE III**
SUMMARY OF OPERATING RESULTS AND FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1988
(with comparative figures for nine months ended December 31, 1987)

($millions)

	1988	1987
RESULTS OF OPERATIONS		
Revenues:		
From operations	455	310
Other	19	14
Total revenues	**474**	**324**
Expenses:		
From operations	381	257
Debt charges	78	65
Total expenses	**459**	**322**
Net income (loss) for the year	**15**	**2**
FINANCIAL POSITION		
Assets		
Cash and temporary investments	46	42
Accounts receivable	61	61
Long-term investments	101	66
Fixed assets	815	776
Other assets	12	40
Total assets	**1,035**	**985**
Liabilities		
Accounts payable and accrued liabilities	119	85
Long-term debt		
-owing to government	519	552
-owing to others	193	195
Deferred liabilities	117	81
Total liabilities	**948**	**913**
Equity in Government enterprises	**87**	**72**

GOVERNMENT OF THE PROVINCE OF MANITOBA
ACCOUNTS PAYABLE, ACCRUED CHARGES, DEFERRED REVENUE AND DEFERRED TAXES
AS AT MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE IV

($millions)

	1989	1988
Accounts payable	239	167
Accrued charges:		
Interest accrued on borrowings and trust funds	198	189
Other accrued liabilities:		
Manitoba Public Insurance Corporation	32	59
Criminal Injuries Compensation Board	17	15
Manitoba Milk Producers Marketing Board	2	-
Workers Compensation Board	-	16
Manitoba Development Corporation	-	6
Other	2	1
Deferred revenue	7	11
Deferred income taxes	30	24
	527	488

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED NET INCOME(EXPENDITURE) BY CATEGORY
FOR THE YEAR ENDED MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE V

($millions)

	OPERATING FUND	SPECIAL FUNDS	CROWN ORGANIZATIONS	ELIMI-ATIONS	TOTAL 1989	1988
REVENUE						
Tax Revenue:						
Corporation income tax	201	-	-	-	201	167
Individual income tax	1,030	-	-	-	1,030	989
Retail sales tax	595	-	-	-	595	567
Fuel taxes	187	-	-	-	187	191
Liquor commission	150	-	-	-	150	152
Levy for health and education	199	-	-	-	199	187
Other taxes	421	5	-	-	426	286
Federal transfers:						
Equalization	863	-	-	-	863	620
Health and higher education	426	-	-	-	426	434
Shared cost and other	279	-	35	-	314	292
Fees and other revenue	192	33	2,348	(2,073)	500	486
Transfer to Fiscal Stabilization Fund	(200)	200	-	-	-	-
TOTAL REVENUE	4,343	238	2,383	(2,073)	4,891	4,371
EXPENDITURE						
Health and community services	1,938	8	1,451	(1,359)	2,038	1,908
Education	808	-	816	(614)	1,010	957
Economic and resource development	555	24	-	-	579	537
Manitoba tax credit plans	236	-	-	-	236	210
Direct local government assistance	120	-	-	-	120	104
Public debt	375	-	136	(30)	481	532
Hydro rates stabilization	44	-	-	-	44	53
Consumer services, public protection and other government services	409	2	21	(83)	349	319
Extraordinary Expenditure	-	-	-	-	-	75
TOTAL EXPENDITURE	4,485	34	2,424	(2,086)	4,857	4,695
NET INCOME(EXPENDITURE)	(142)	204	(41)	13	34	(324)
Increase in equity in Government enterprises					15	2
CONSOLIDATED NET INCOME(EXPENDITURE)					49	(322)

Note:
Included in eliminations are valuation allowances which had been provided in the Operating Fund for certain Crown organizations consolidated herein.

GOVERNMENT OF THE PROVINCE OF MANITOBA
STATEMENT OF BORROWINGS
AS AT MARCH 31, 1989
(with comparative figures for 1988)

SCHEDULE VI

($millions)

	1989						1988
	Gross Borrowings	Sinking Funds	Investment Offsets	Unamortized amounts	Adjust's and Elimin's	Net Borrowings	Net Borrowings
Operating fund	10,349	(1,502)	(198)	(155)	388	8,882	8,171
Crown Organizations:							
-Man.Housing and Renewal Corp.	232	(11)	-	-	11	232	235
-Man.Properties Inc.	399	-	-	-	(399)	-	-
TOTALS	**10,980**	**(1,513)**	**(198)**	**(155)**	**-**	**9,114**	**8,406**

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies which have been applied in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The audited financial statements of the Consolidated Fund are published in Volume 1 of the Public Accounts. The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

In order to be considered a part of the Government's reporting entity, an organization must be accountable, for the administration of their financial affairs and resources, to a minister of the Government or directly to the legislature and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. For 1988-89, those Government funds and organizations delineated by asterisks in Schedule I have been consolidated with the Operating Fund for inclusion in the Summary Financial Statements. Other funds and organizations listed in Schedule I, which ultimately comprise the total Government financial reporting entity, will be consolidated in future years.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

The financial operations of provincial Crown corporations,

agencies, boards and commissions not herein consolidated are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or

2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or

3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF CONSOLIDATION

The accounts of Special Funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Reporting Entity. Inter-organization accounts and transactions are eliminated upon consolidation. Where the fiscal year-end of government organizations is not the same as that of the government and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government. Inter-entity accounts and transactions are not eliminated.

The Manitoba Telephone Syster (MTS), whose year end is December 31, is the only enterprise included in the Summary Financial Statements for 1988-89. Supplementary financial information describing the financial position and results of operations of MTS is presented in Schedule III.

C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. Gross Accounting Concept

Revenues and expenditures are recorded in gross amounts with the following exceptions:

a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government.

b) Refunds of revenue are treated as reductions of current

year revenue.

c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.

d) Recoveries of the debt servicing costs on self-supporting debt from Crown corporations and Government agencies not consolidated herein are recorded as a reduction of Public Debt expenditure. The same treatment is also given to income earned on investments and advances.

2. **Modified Accrual Accounting**

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

a) **Income From Canada-Manitoba Fiscal Arrangements** - This income is recorded on a cash basis with three exceptions:

i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;

ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and

iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.

b) **Fees and Other Revenue** - Amounts receivable from all levels of government, as well as amounts received in April from agents for provincially collected taxes pertaining to the year just ended, are recorded as revenue receivable. Otherwise, Fees and Other Revenue are recorded on a cash basis.

c) **Salaries and Wages** - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.

d) **Pension** - The annual cost recorded by the Government Reporting Entity is its share of pension paid to retired employees, teachers and members of the Legislative Assembly.

The Government Reporting Entity does not record its

liability for the annual cost of pension benefits earned by its employees, teachers and members of the Legislative Assembly.

e) **Capital Assets and Inventories** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Except for deferred revenue, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government Reporting Entity on other parties and encompass the net equity interest in the operation of consolidated Government enterprises (for 1988-89 - MTS only). The liabilities are claims by other parties on the Government.

   Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year end.

3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

   A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

   Loans, advances or long-term investments may be written-down in the accounts of the Government, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in Cash and Equivalents and the

Province of Manitoba Sinking Fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining Sinking Funds are shown at cost and do not reflect any amortization of investment premium or discount.

Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account and are amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

   Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in Deferred Revenue.

   Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized Foreign Currency Fluctuation account and are amortized annually to public debt expense over the life of the debt issue.

Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

Proceeds of debt raised for the purpose of retiring a specific debt issue on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking Funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act and are reflected as a reduction of Borrowings.

E. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown corporations, agencies, boards and commissions and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown corporations, agencies, boards and commissions. These Sinking Funds are held in Trust by the Minister of Finance. The Crown corporation, agency, board or commission to whom the debt applies make annual contributions to the Sinking Fund.

Contingent Liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the financial statements.

2. VALUATION ALLOWANCES

A. CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances are provided only for those organizations which have not been consolidated in the Summary Financial Statements, and are determined as follows:

1. **Operating Deficits**
   The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. **Non-Recovery Of Capital Investment**
   A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. Other Loans and Advances

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

C. Other Long-Term Investments

The valuation allowance is used to record losses, that are other than temporary declines, in value of the Government's investments in other than Crown corporations, agencies, boards and commissions. The valuation allowance is based on an annual valuation of the investment.

3. LOANS AND ADVANCES

The following amounts include loans and advances to Crown organizations which have not been consolidated in these Summary Financial Statements. The Sinking Funds provided by the entity for repayment of the debt issued by the Province to fund the advances are deducted from the advances.

	($ millions)			
	Crown Organizations	Other	1989 Total	1988 Total
Loan/advance	3,883	235	4,118	3,599
Less: Sinking Funds	163	-	163	143
Valuation Allowance	19	25	44	46
Net	**3,701**	**210**	**3,911**	**3,410**

4. EQUITY IN GOVERNMENT ENTERPRISES

The only Enterprise included for 1988-89 is the Manitoba Telephone System. A summary of the Operating Results and Financial Position are displayed in Schedule III.

5. OTHER LONG-TERM INVESTMENTS

The following amounts include investments in Crown organizations which have not been consolidated in these Summary Financial Statements:

	($ millions)			
	Crown Organizations	Other	1989 Total	1988 Total
Shares:				
Common	42	5	47	50
Preferred	109	-	109	109
Debentures	3	-	3	4
Profit Sharing Agreements	-	11	11	11
	154	**16**	**170**	**174**
Valuation Allowance	133	14	147	146
Net	**21**	**2**	**23**	**28**

6. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown corporations, agencies, boards and commissions on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are Trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31 are as follows:

	($ millions) 1989	1988
ASSETS		
Amounts due from Operating Fund	798	685
Cash and Investments	680	594
Total Trust Assets	**1,478**	**1,279**
LIABILITIES		
Trust Fund Balances-Consolidated Fund	1,459	1,262
Trust Fund Balances-Crown Organizations	19	17
Total Trust Liabilities	**1,478**	**1,279**

In addition, the Trust Funds include cash and securities for which the Government's responsibility is custodial in nature. The amount reported at March 31, 1989 was $595 million (1988-$582 million).

7. BORROWINGS

All borrowings are expressed in Canadian dollars. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year end.

The classification of borrowings by purpose is as follows:

	($ millions) 1989	1988
General Government Programs	6,810	6,540
The Manitoba Hydro Electric Board	2,938	2,745
The Manitoba Telephone System	537	564
Other	695	705
	10,980	10,554
Less:		
Sinking Funds	1,513	1,304
Debt of the Province of Manitoba held as Provincial Investments	198	134
Unamortized Foreign Currency Fluctuation	111	666
Unamortized Debt Issue Costs	44	44
	9,114	8,406

Money is allocated annually to the Province of Manitoba Sinking Fund on the following basis:

A. a sum equal to 3% of the aggregate amount of general purpose debt, in Canadian dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and

B. all earnings derived from investing the Sinking Fund.

In addition, principal repayments of advances by agencies which are funded by the issue of provincial securities are deposited to the Sinking Fund provided that the principal repayments are made prior to the maturity date of such securities.

Included in "Other" is debt totalling $162 million which has been used to fund loans, advances and investments for which valuation allowances have been established at March 31, 1989 (1988-$166 million). If write off of these assets occurs, this debt would be considered to be General Government Program debt.

8. PROVISIONS FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April

1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987. At March 31, 1989, the amortized amount remaining in the Province's Provision account for these U.S. issues is $153 million. The Province retained responsibility for the fluctuation, in currencies other than U.S. dollars, for both its direct and guaranteed debt for Manitoba Hydro outstanding at March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account by $133 million to cover the total fluctuation in the value of this foreign debt. In order to accomplish this, the Province made an additional charge of $64 million to its Hydro Rates Stabilization expenditure for 1988-89.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of $286 million at March 31, 1989 represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

9. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Consolidated Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the

Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

10. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt issued by Crown corporations, agencies, boards and commissions not consolidated herein, which is guaranteed by the Government as at March 31:

	($ millions) 1989	1988
Self-supporting debt	1,604	1,542
Debt serviced in whole or in part from the Consolidated Fund	10	10
	1,614	**1,552**
Less: Applicable Sinking Funds	277	263
	1,337	**1,289**

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for Foreign Currency Fluctuation on Manitoba Hydro Debt.

11. OTHER ACCRUED LIABILITIES

The Government Reporting Entity has accrued a liability at March 31, 1989 for losses or program expenditures in order to recognize its responsibility to fund these amounts when they become payable:

	($ millions) 1989	1988
Manitoba Public Insurance Corporation		
- Reinsurance Assumed Losses	32	32
- Personal and Commercial Losses	-	27
Criminal Injuries Compensation Board		
-Unfunded future costs of compensation awards	17	15
Manitoba Milk Producers Marketing Board	2	-
Workers Compensation Board - Reimbursement of interest forfeited on employer assessments	-	16
Manitoba Development Corporation		
-Additional provision for warranty costs related to Flyer Industries Ltd. divestiture	-	6
Other	2	1
	53	**97**

12. FINANCIAL COMMITMENTS

The Government Reporting Entity has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Consolidated Fund. The Government Reporting Entity has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31 are as follows:

	($ millions) 1989	1988
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals & Personal Care Homes	429	405
Public Schools	272	252
Manitoba Water Services Board	2	2
Brandon University	3	3
	706	**662**
FUTURE COMMITMENTS:		
Housing Construction and Approved Mortgage Applications	58	89
Acquisition of Physical Assets	84	82
Rental of Physical Assets	103	167
Future Billings on Outstanding Legal Aid Certificates	6	6
	251	**344**
	957	**1006**

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $72.5 million (1988-$72.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowing will be converted to long-term debt.

13. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	($ millions)		
		AMOUNT OUTSTANDING	
	MAXIMUM GUARANTEE	MARCH 31, 1989	MARCH 31, 1988
Mortgages	21	14	15
Promissory Notes	175	3	-
Bank Loans and Lines of Credit	38	22	16
	234	39	31

This does not include guarantees that may be provided by Crown organizations, which are not consolidated in these statements, under their own separate authority.

The Province has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including $53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government, including the organizations consolidated in these statements, has been named in approximately 100 legal actions, outstanding at March 31, 1989, which may result in future liabilities. As well, there are approximately 300 other claims outstanding in respect of damages to persons and property and like items. No provision has been made in the accounts at March 31, 1989 as the outcome of these actions and claims is uncertain.

14. PENSION LIABILITY

Legislation requires payment of 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by non-consolidated Government agencies for their employees) and to retired teachers. Such payments are charged to expenses as incurred and no provision is made to fund current or past service obligations of the Government Reporting Entity to the Civil Service Superannuation Fund or the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

The pension liability for the Government Reporting Entity is:

($ millions)

	December 1988	December 1987
Civil Service Superannuation Fund:		
Operating Fund	393	346
Crown Organizations	23	20
Government Enterprise	232	207
Teachers Retirement Allowances Fund	597	533
TOTAL	**1,245**	**1,106**

An actuarial valuation and report of the Government Reporting Entity's liability to the Civil Service Superannuation Fund was determined as at December 31, 1986. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government Reporting Entity's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis. The liability to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The liability is estimated to approximate the reserve which is indexed and held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability.

15. LEGISLATIVE AUTHORITY FOR BORROWING

Order-in-council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding $350 million at any one time.

Limits established by legislation for borrowing funds are reported here along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

	($ millions) Appropriation Acts	Loan Acts
Incremental Non-Lapsing Authority Provided in 1988 Acts	300	271
Amount Used During the Fiscal Year Ended March 31, 1989	280	18
Available for Future Years	**20**	**253**
Unused Borrowing Authority From Prior Years	-	1,617
	20	**1,870**
Less: Encumbered for Specific Purposes	-	71
Unencumbered Borrowing Authority at March 31, 1989	**20**	**1,799**

16. SUBSEQUENT EVENTS

A. The Government's interest in Manfor Ltd. was sold to Repap Enterprises Inc. as of May 4, 1989.

B. In June of 1989, some of the shareholders exercised their retraction privilege with respect to preferred shares issued by Manitoba Properties Inc., and retracted (1,068,208 shares at $25 per share) $26,705,200.

17. COMPARATIVE FIGURES

Financial Statement figures for 1988 have been developed on a basis consistent with the presentation being adopted for 1989. The Government Enterprise's comparative figures for 1987 were for a nine month period.